

**PRATT-THOMAS | WALKER**

ATTORNEYS AT LAW  
PROFESSIONAL ASSOCIATION

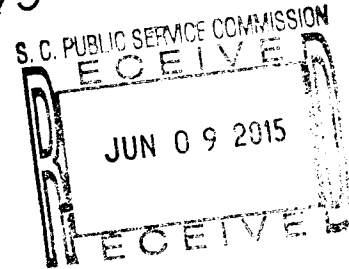
16 CHARLOTTE STREET  
CHARLESTON, SC 29403

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CHARLESTON, SC 29413-2247

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FAX: 843.727.2238

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2014-346 w/s



E-MAIL: gtw@p-tw.com  
DIRECT DIAL: 843.727.2208  
FAX: 843.722.2231

June 5, 2015

**CERTIFIED MAIL/RETURN RECEIPT REQUESTED**

Jocelyn Boyd  
Chief Clerk and Administrator  
South Carolina Public Service Commission  
P.O. Drawer 11649  
Columbia, SC 29211

Re: Daufuskie Island Utility Company, Inc.  
Our File No.: 7640.001

Dear Ms. Boyd:

This firm represents Daufuskie Island Company Utility, Inc. Please find enclosed the original and two copies of the Rate Application of DICU seeking an adjustment of the rates for its water and sewer services in accordance with S.C. Reg. §§103-512.4 and 103-712.4.

We look forward to working with the PSC and ORS in this proceeding. With kind regards, I am,

Sincerely,

PRATT-THOMAS WALKER, P.A.

A handwritten signature in black ink, appearing to read "G. Trenholm Walker".

G. Trenholm Walker

Enclosures (As Stated)

GTW/njd

c: C. Dukes Scott, Esq.  
Jeffrey M. Nelson, Esq.  
Courtney Edwards, Esq.  
John F. Guastella

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

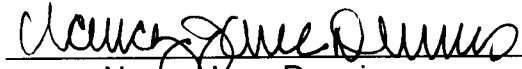
DOCKET NO.: 2015-\_\_\_\_\_ - WS

IN RE: Application of Daufuskie Island     )  
Utility Company, Inc. for adjustment of     )     CERTIFICATE OF SERVICE  
rates and charges for water and     )  
sewer services     )

This is to certify that I, Nancy Jane Dennis, on June 5, 2015, caused to be served upon the person(s) named below a copy of the Application of Daufuskie Island Utility Company, Inc. with Exhibits, in regards to the above matter on the person(s) named below, by U.S. Mail to the following address:

C. Dukes Scott, Esq.  
Jeffrey M. Nelson, Esq.  
Courtney Edwards, Esq.  
Office of Regulatory Staff  
1401 Main Street, Suite 900  
Columbia, South Carolina 29201

Charleston, South Carolina

  
\_\_\_\_\_  
Nancy Jane Dennis

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO.: \_\_\_\_\_-WS

**APPLICATION OF DAUFUSKIE ISLAND UTILITY COMPANY, INC.  
FOR APPROVAL OF AN ADJUSTMENT IN RATES AND CHARGES  
FOR WATER AND SEWER SERVICES**

In accordance with S.C. Code Sections 58-5-210 et seq., R. 103-514.4, R. 103-712.4, and R. 103-834, the Applicant, Daufuskie Island Utility Company, Inc., requests adjustment of its rates and charges for water and sewer services, and submits the following information and Exhibits in support of its Application.

June 5, 2015

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1	Overview and Justification
2	Statement of Proposed Rates
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6	Required Regulatory Financial Statements and Other Analyses
7	Operating Area Maps

## **OVERVIEW AND JUSTIFICATION**

The Daufuskie Island Utility Company, Inc. ("DIUC" or "Company") formerly known as the Haig Point Utility Company, Inc. was established to provide water and sewer utility service to the 1,050 acre planned development with 750 single family homes and club, known as Haig Point, and the Cedar Cove Subdivision consisting of 18 single family residential lots, located on Daufuskie Island in Beaufort County, South Carolina.

In March of 2010, DIUC acquired the Melrose Utility Company ("MUC") also located on Daufuskie Island in Beaufort County, South Carolina. MUC was established to provide water and sewer service to the planned developments known as Melrose and Bloody Point consisting of approximately 580 residential lots and 60 commercial lots.

This application for approval of new rates and charges is based on the historical test year ended December 31, 2014. The test year is representative of the Company's consolidated Haig Point and Melrose normal utilities operation which is currently producing insufficient annual income. The pro forma rate period is based on the projected operations for the twelve months ending December 31, 2015 adjusted for known and measureable changes.

This application is necessary because the current rates do not enable the Company to cover its cost of providing service and earn a fair return on its investment. The Company has not applied for rate relief since 2010 and has not yet established unified rates under its current consolidated status. The test year revenues, under current rates, produced net operating losses of \$21,174 for the water operations or a negative .65% return on its investment. The sewer operations experienced net operating income of \$59,890 or a 1.59% return on its investment. As this application demonstrates, the pro forma rate year under the current rates, would produce even less income and result in a negative 5.27% return for water and a negative 2.81% return for sewer. The proposed rates developed in this application are essential for the Daufuskie Island Utility Company to continue to provide its customers with adequate water and wastewater service.

The proposed rate design would eliminate the current water and sewer usage allowances that currently exist under the Melrose tariff and apply volumetric rates to all water and sewer usage by all customers, as it currently applies under the DIUC tariff. The proposed irrigation rates would also apply inclining block rates, as it currently applies under the DIUC tariff, to all irrigation customers. The tiered rate structure is designed to promote water conservation. The proposed rates would establish uniform rates for all of the DIUC customers. The proposed rates result in very similar increases of the annual water and sewer charges for both the Haig Point and Melrose service area customers.

# Statement of Proposed Rates

		Haig Pt. Present Rates	Melrose Present Rates	DIUC Proposed Rates
<b>I. <u>Residential Rates</u></b>				
<b>A. <u>Water:</u></b>				
1)	Tapping Fees & 3/4" Meter Box	\$500.00	\$500.00	\$500.00
2)	Base Quarterly Charge	\$62.09	\$80.72	\$149.30
3)	Consumption Charge (per 1,000 gallons)			
	0 to 22,500 gallons per quarter	\$2.76	\$0.00	\$4.41
	Over 22,500 gallons	\$2.76	\$2.44	\$4.41
<b>B. <u>Sewer:</u></b>				
1)	Tapping Fees & Service Lateral	\$500.00	\$500.00	\$500.00
2)	Base Quarterly Charge	\$110.38	\$80.72	\$218.18
3)	Volumetric Charge (per 1,000 gallons)			
	0 to 22,500 gallons per quarter	\$1.32	\$0.00	\$2.38
	Over 22,500 gallons	\$1.32	\$1.95	\$2.38
<b>C. <u>Irrigation:</u></b>				
1)	Tapping Fees & 3/4" Meter Box	\$500.00	\$500.00	\$500.00
2)	Consumption Charge (per 1,000 gallons)			
	0 to 18,000 gallons per quarter	\$2.76	\$1.66	\$4.85
	18,001 to 60,000 gallons	\$3.09	\$1.66	\$5.73
	Over 60,000 gallons	\$3.50	\$1.66	\$6.61
<b>II. <u>Commercial Rates</u></b>				
<b>A. <u>Water:</u></b>				
1)	Tapping Fees per Hotel or Inn Room	\$250.00	\$250.00	\$250.00
2)	Tapping Fees up to 1-1/2" Meter	\$500.00	\$500.00	\$500.00
3)	Tapping Fees 2" or 3" Meter	\$1,500.00	\$1,500.00	\$1,500.00
4)	Tapping Fees for 6" Meter	\$3,500.00	\$3,500.00	\$3,500.00
	Note: Larger meters on a case by case basis.			
5)	Base Quarterly Charge	\$86.93	\$136.60	\$209.01
6)	Consumption Charge (per 1,000 gallons)			
	0 to 22,500 gallons per quarter	\$2.76	\$0.00	\$4.41
	Over 22,500 gallons	\$2.76	\$1.95	\$4.41
<b>B. <u>Sewer:</u></b>				
1)	Tapping Fees per Hotel or Inn Room	\$250.00	\$250.00	\$250.00
2)	Tapping Fees 4" - 8" Sewer Pipe	\$500.00	\$500.00	\$500.00
2)	Base Quarterly Charge	\$178.21	\$136.60	\$305.45
3)	Volumetric Charge (per 1,000 gallons)			
	0 to 22,500 gallons per quarter	\$1.32	\$0.00	\$2.38
	Over 22,500 gallons	\$1.32	\$1.95	\$2.38
<b>C. <u>Irrigation:</u></b>				
1)	Tapping Fees & 3/4" Meter Box	\$500.00	\$500.00	\$500.00
2)	Consumption Charge (per 1,000 gallons)			
	0 to 18,000 gallons per quarter	\$2.76	\$1.66	\$4.85
	18,001 to 60,000 gallons	\$3.09	\$1.66	\$5.73
	Over 60,000 gallons	\$3.50	\$1.66	\$6.61

Daufuskie Island Utility Co.  
 c/o Guastella Associates  
 6 Beacon St, STE 200  
 Boston, MA 02108  
 888-635-7878

JOHN DOE  
 123 STREET  
 DAUFUSKIE ISLAND, SC 29915-

**Account #** SAMPLE  
**Billing Date** 07/01/14  
**Due Date** 07/31/14  
**Amount Due** 1094.50

Detach and Submit with Payment

Service ID#	From Date	Thru Date	Days	Service Address
SAMPLE	04/01/14	07/01/14	91	123 A STREET

Charge Description	Previous Reading	Present Reading	Total Consumption	Charge
WATER - D	8000	8000	0	62.09
SEWER - D				110.38
IRRIG - D	12000	12000	0	0.00
AVAIL - WT				76.38
AVAIL - SW				85.08
				<b>333.93</b>

DEAR CUSTOMER: TO ENSURE PROPER DELIVERY  
 PLEASE UPDATE OUR MAILING ADDRESS AS SHOWN IN  
 THE TOP LEFT CORNER IN ALL OF YOU BILL PAY  
 ACCOUNTS. PLEASE CONTACT US WITH ANY QUESTIONS  
 AT ADMIN@DIUTILITY.COM OR THE TELEPHONE NUMBER  
 LISTED ABOVE.

TOTAL PREVIOUS BALANCE 760.57  
 CURRENT CHARGES 333.93

**IF PAID BY 07/31/14 1094.50**

IF PAID AFTER 07/31/14 1110.68

This invoice represents an "Availability Fee" that charges customers for the "availability" to tap-in water and sewer lines on Daufuskie Island, South Carolina.  
 This fee was defined and identified in the contract and disclosure documents you received when you purchased your Daufuskie Island property.

Water charges include a base charge of \$62.09 (residential) and \$86.93 (commercial). Sewer charges include a base charge of \$110.38 (residential) and \$178.21 (commercial).

For questions regarding billing, call 888-635-7878. For emergencies regarding your utilities, call 843-686-9249 (business hours) or 843-247-3135 (after hours).

Daufuskie Island Utility is under the jurisdiction of the South Carolina Public Service Commission ("PSC"). Charges are based on a rate schedule filed and  
 approved by the PSC and available for your inspection upon request. If you are not satisfied with the Utility's response to an inquiry you can contact  
 the Office of Regulatory Staff's Consumer Services Division at 803-737-5231 or within S.C. at 800-922-1531.

If a previous payment was received after the invoice date ("bill date") show on this bill, the payment is not reflected on this invoice. However, the  
 payment is reflected in our billing system and you should disregard the previous balance displayed. In addition, a Late Payment Charge of 1 1/2% will be added  
 to any unpaid balance not paid before the Late Date shown.

**Sterling Risk Advisors Inc.**

P O Box 724137  
Atlanta, GA 31139

Daufuskie Island Utility Company, Inc.  
9688 Speedway Blvd.  
Hardeeville, SC 29227

**INVOICE**

<b>Customer</b>	Terry R. Lee Contracting Company, Inc. 19748
<b>Date</b>	03/22/2015
<b>Customer Service</b>	Danny Sellers Debra Johnson
<b>Page</b>	1 of 1

Payment Information	
<b>Invoice Summary</b>	5,250.00
<b>Payment Amount</b>	
<b>Payment for:</b>	Invoice#313291
BMA 1942391	

**Thank You**

Please detach and return with payment

Customer: Terry R. Lee Contracting Company, Inc.

Invoice	Effective	Transaction	Description	Amount
313291	02/14/2015	Renew policy	Policy #BMA 1942391 02/14/2015-02/14/2016 Hanover Insurance Company Renewal - SC Sewer Utilities Operation Bond Bond Amount \$350,000.00 Due Date: 4/1/2015	5,250.00
				<b>Total</b>
				5,250.00

**Thank You**

Sterling Risk Advisors Inc.  
P O Box 724137  
Atlanta, GA 31139

(678)424-6500

**Date**

03/22/2015

**PERFORMANCE BOND**

**Bond No: 1942391**

**FINANCIAL STATEMENT**

**(SEWER UTILITIES)**

**KNOW ALL MEN BY THESE PRESENTS, that** Daufuskie Island Utility Company, Inc.

**being duly qualified to do business in the State of South Carolina, designated as "principal", and that**

The Hanover Insurance Company, **designated as "surety"/"sureties" is/are held and firmly**

**bound unto the Public Service Commission of South Carolina, designated as "obligee", in the penal**

**sum of \$ 350,000.00, for the payment of which well and truly to be made, the principal binds itself,**

**its successors and assigns, and the surety/sureties bind themselves, their personal representatives, and**

**their assigns, jointly and severally, firmly by these presents.**

**WHEREAS, in accordance with the provisions of S. C. Code Ann., §58-5-720 (1976, as amended), which requires the principal to furnish a bond with sufficient surety, to the satisfaction of the obligee, conditioned as provided in said §58-5-720, and**

**WHEREAS, the obligee has granted the principal a Certificate of Public Convenience and Necessity and approved a schedule of rates for sewer service in areas shown on operating maps filed with the obligee, and**

**WHEREAS, this bond, when approved by the obligee, conditioned as in said §58-5-720, is to cover any and all liability which may arise as a result of the principal failing to provide adequate and sufficient service within its service area as prescribed in §58-5-720, and**

**WHEREAS, the obligee, upon notice and hearing, shall have the right to declare all or any part of the bond forfeited upon a determination by the obligee that the principal shall have willfully failed to provide such service as prescribed above, without just cause or excuse, and that such failure has continued for an unreasonable length of time, and**

**WHEREAS, the liability under the terms of this bond is hereby extended so as to include any fines or penalties imposed or assessed by the obligee against the principal under the provisions of S.C. Code Ann. §58-5-710 (1976 as amended), and**

**WHEREAS, in the event that any judicial action or proceedings are initiated with respect to this bond, the parties hereby agree that the venue thereof shall be Richland County, State of South Carolina, and**

**WHEREAS, the surety/sureties, as stockholders of the principal, undertake this obligation for and in consideration of the principal being able to continue to operate a sewer utility providing service to the public for compensation under the jurisdiction of the obligee, and**

**WHEREAS, the surety/sureties, as shall file with this bond a Financial Statement showing personal assets, liabilities, and net worth; and shall file annually with the obligee a revised Financial Statement as long as the bond continues in effect, and**

**WHEREAS, this bond shall become effective on the date executed by the principal and surety/sureties, and shall continue from year to year unless the obligations of the principal and surety/sureties under this bond are expressly released by the obligee in writing, and**

**FINANCIAL STATEMENT**

**Sewer Utilities**

**Page 3**

**WHEREAS, the obligee upon notice and opportunity to the principal and surety/sureties to be heard, may order that the face amount of this bond to be changed within the limits set forth in S. C. Code Ann., §58-5-720 (1976 as amended).**

**NOW THEREFORE, in testimony whereof, said principal has hereunto subscribed its name and said principal has caused this instrument to be signed by its duly authorized officers, and its corporate seal to hereunto affixed this 14th day of February, 2011; and that said surety/sureties have caused this instrument to be signed this 14th day of February, 2011.**

**SURETY/SURETIES:**

The Hanover Insurance Company

Joyce M Connor  
**Signature** Joyce M Connor, Attorney-In-Fact

Daufuskie Island Utility Company, Inc.

**Company**

**IN THE PRESENCE OF:**

Raimona Neal  
**Witness # 1** Raimona Neal

Sammy Forrester  
**Witness # 2** Sammy Forrester

**By**

**Title**

**IN THE PRESENCE OF**

**Signature**

**Witness # 1**

**Witness # 2**

THE HANOVER INSURANCE COMPANY  
MASSACHUSETTS BAY INSURANCE COMPANY  
CITIZENS INSURANCE COMPANY OF AMERICA

POWERS OF ATTORNEY  
CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That THE HANOVER INSURANCE COMPANY and MASSACHUSETTS BAY INSURANCE COMPANY, both being corporations organized and existing under the laws of the State of New Hampshire, and CITIZENS INSURANCE COMPANY OF AMERICA, a corporation organized and existing under the laws of the State of Michigan, do hereby constitute and appoint:  
**S Danny Sellers, Joyce M Connor, and/or Richmond Lanier Mitchell**

of Duluth, GA and each is a true and lawful Attorney(s)-in-fact to sign, execute, seal, acknowledge and deliver for, and on its behalf, and as its act and deed any place within the United States, or, if the following line be filled in, only within the area therein designated

any and all bonds, recognizances, undertakings, contracts of indemnity or other writings obligatory in the nature thereof, as follows:  
Any such obligations in the United States, not to exceed Ten Million and No/100 (\$10,000,000.00) in any single instance

and said companies hereby ratify and confirm all and whatsoever said Attorney(s)-in-fact may lawfully do in the premises by virtue of these presents. These appointments are made under and by authority of the following Resolution passed by the Board of Directors of said Companies which resolutions are still in effect:

"RESOLVED, That the President or any Vice President, in conjunction with any Assistant Vice President, be and they are hereby authorized and empowered to appoint Attorneys-in-fact of the Company, in its name and as its acts, to execute and acknowledge for and on its behalf as Surety any and all bonds, recognizances, contracts of indemnity, waivers of citation and all other writings obligatory in the nature thereof, with power to attach thereto the seal of the Company. Any such writings so executed by such Attorneys-in-fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company in their own proper persons." (Adopted October 7, 1981 - The Hanover Insurance Company; Adopted April 14, 1982 - Massachusetts Bay Insurance Company; Adopted September 7, 2001 - Citizens Insurance Company of America)

IN WITNESS WHEREOF, THE HANOVER INSURANCE COMPANY, MASSACHUSETTS BAY INSURANCE COMPANY and CITIZENS INSURANCE COMPANY OF AMERICA have caused these presents to be sealed with their respective corporate seals, duly attested by a Vice President and an Assistant Vice President, this 14<sup>th</sup> day of June, 2010.



THE HANOVER INSURANCE COMPANY  
MASSACHUSETTS BAY INSURANCE COMPANY  
CITIZENS INSURANCE COMPANY OF AMERICA

*Mary Joanne Anderson*  
Mary Joanne Anderson, Vice President

*Robert K. Grennen*  
Robert K. Grennen, Assistant Vice President

THE COMMONWEALTH OF MASSACHUSETTS )  
COUNTY OF WORCESTER ) ss.

On this 13<sup>th</sup> day of June, 2010., before me came the above named Vice President and Assistant Vice President of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, to me personally known to be the individuals and officers described herein, and acknowledged that the seals affixed to the preceding instrument are the corporate seals of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, respectively, and that the said corporate seals and their signatures as officers were duly affixed and subscribed to said instrument by the authority and direction of said Corporations.



*Barbara A. Garlick*  
Notary Public

My commission expires on November 3, 2011

I, the undersigned Assistant Vice President of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, hereby certify that the above and foregoing is a full, true and correct copy of the Original Power of Attorney issued by said Companies, and do hereby further certify that the said Powers of Attorney are still in force and effect.

This Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America.

"RESOLVED, That any and all Powers of Attorney and Certified Copies of such Powers of Attorney and certification in respect thereto, granted and executed by the President or any Vice President in conjunction with any Assistant Vice President of the Company, shall be binding on the Company to the same extent as if all signatures therein were manually affixed, even though one or more of any such signatures thereon may be facsimile." (Adopted October 7, 1981 - The Hanover Insurance Company; Adopted April 14, 1982 Massachusetts Bay Insurance Company; Adopted September 7, 2001 - Citizens Insurance Company of America)

GIVEN under my hand and the seals of said Companies, at Worcester, Massachusetts, this                      day of                      , 20

THE HANOVER INSURANCE COMPANY  
MASSACHUSETTS BAY INSURANCE COMPANY  
CITIZENS INSURANCE COMPANY OF AMERICA

*Stephen L. Brault*  
Stephen L. Brault, Assistant Vice President

**Sterling Risk Advisors Inc.**

P O Box 724137  
Atlanta, GA 31139

Daufuskie Island Utility Company, Inc.  
9688 Speedway Blvd.  
Hardeeville, SC 29227

**INVOICE**

<b>Customer</b>	Terry R. Lee Contracting Company, Inc. 19748
<b>Date</b>	03/22/2015
<b>Customer Service</b>	Danny Sellers Debra Johnson
<b>Page</b>	1 of 1

Payment Information	
<b>Invoice Summary</b>	5,250.00
<b>Payment Amount</b>	
<b>Payment for:</b>	Invoice#313292
BMA 1942392	

**Thank You**

Please detach and return with payment

Customer: Terry R. Lee Contracting Company, Inc.

Invoice	Effective	Transaction	Description	Amount
313292	02/14/2015	Renew policy	Policy #BMA 1942392 02/14/2015-02/14/2016 Hanover Insurance Company Renewal - SC Water Utilities Operation Bond Bond Amount \$350,000.00 Due Date: 4/1/2015	5,250.00
				<b>Total</b>
				5,250.00

**Thank You**

Sterling Risk Advisors Inc.  
P O Box 724137  
Atlanta, GA 31139

(678)424-6500

**Date**

03/22/2015

**PERFORMANCE BOND**

Bond No: 1942392

**FINANCIAL STATEMENT**

**(WATER UTILITIES)**

**KNOW ALL MEN BY THESE PRESENTS, that** Daufuskie Island Utility Company, Inc.

**being duly qualified to do business in the State of South Carolina, designated as "principal", and that**  
The Hanover Insurance Company, **designated as "surety"/"sureties" is/are held and firmly**  
**bound unto the Public Service Commission of South Carolina, designated as "obligee", in the penal**  
**sum of \$** 350,000.00 **, for the payment of which well and truly to be made, the principal binds**  
**itself, its successors and assigns, and the surety/sureties bind themselves, their personal**  
**representatives, and their assigns, jointly and severally, firmly by these presents.**

**WHEREAS, in accordance with the provisions of S. C. Code Ann., §58-5-720 (1976, as**  
**amended), which requires the principal to furnish a bond with sufficient surety, to the satisfaction of**  
**the obligee, conditioned as provided in said §58-5-720, and**

**WHEREAS, the obligee has granted the principal a Certificate of Public Convenience and**  
**Necessity and approved a schedule of rates for water service in areas shown on operating maps filed**  
**with the obligee, and**

**WHEREAS, this bond, when approved by the obligee, conditioned as in said §58-5-720, is to**  
**cover any and all liability which may arise as a result of the principal failing to provide adequate and**  
**sufficient service within its service area as prescribed in §58-5-720, and**

**FINANCIAL STATEMENT**

**Water Utilities**

**Page 2**

**WHEREAS, the obligee, upon notice and hearing, shall have the right to declare all or any part of the bond forfeited upon a determination by the obligee that the principal shall have willfully failed to provide such service as prescribed above, without just cause or excuse, and that such failure has continued for an unreasonable length of time, and**

**WHEREAS, the liability under the terms of this bond is hereby extended so as to include any fines or penalties imposed or assessed by the obligee against the principal under the provisions of S.C. Code Ann. §58-5-710 (1976 as amended), and**

**WHEREAS, in the event that any judicial action or proceedings are initiated with respect to this bond, the parties hereby agree that the venue thereof shall be Richland County, State of South Carolina, and**

**WHEREAS, the surety/sureties, as stockholders of the principal, undertake this obligation for and in consideration of the principal being able to continue to operate a water utility providing service to the public for compensation under the jurisdiction of the obligee, and**

**WHEREAS, the surety/sureties, as shall file with this bond a Financial Statement showing personal assets, liabilities, and net worth; and shall file annually with the obligee a revised Financial Statement as long as the bond continues in effect, and**

**WHEREAS, this bond shall become effective on the date executed by the principal and surety/sureties, and shall continue from year to year unless the obligations of the principal and surety/sureties under this bond are expressly released by the obligee in writing, and**

WHEREAS, the obligee upon notice and opportunity to the principal and surety/sureties to be heard, may order that the face amount of this bond to be changed within the limits set forth in S. C. Code Ann., §58-5-720 (1976 as amended).

NOW THEREFORE, in testimony whereof, said principal has hereunto subscribed its name and said principal has caused this instrument to be signed by its duly authorized officers, and its corporate seal to hereunto affixed this 14th day of February, 2011; and that said surety/sureties have caused this instrument to be signed this 14th day of February, 2011.

**SURETY/SURETIES:**

The Hanover Insurance Company

Joyce M. Connor  
Signature Joyce M. Connor, Attorney-in-Fact

\_\_\_\_\_  
Company

**IN THE PRESENCE OF:**

Raimona Neal  
Witness # 1 Raimona Neal

Jimmy Forrester  
Witness # 2 Jimmy Forrester

\_\_\_\_\_  
By

\_\_\_\_\_  
Title

**IN THE PRESENCE OF**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Witness # 1

\_\_\_\_\_  
Witness # 2

THE HANOVER INSURANCE COMPANY  
MASSACHUSETTS BAY INSURANCE COMPANY  
CITIZENS INSURANCE COMPANY OF AMERICA

POWERS OF ATTORNEY  
CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That THE HANOVER INSURANCE COMPANY and MASSACHUSETTS BAY INSURANCE COMPANY, both being corporations organized and existing under the laws of the State of New Hampshire, and CITIZENS INSURANCE COMPANY OF AMERICA, a corporation organized and existing under the laws of the State of Michigan, do hereby constitute and appoint  
**S Danny Sellers, Joyce M Connor, and/or Richmond Lanier Mitchell**

of Duluth, GA and each is a true and lawful Attorney(s)-in-fact to sign, execute, seal, acknowledge and deliver for, and on its behalf, and as its act and deed any place within the United States, or, if the following line be filled in, only within the area therein designated

any and all bonds, recognizances, undertakings, contracts of indemnity or other writings obligatory in the nature thereof, as follows:  
Any such obligations in the United States, not to exceed Ten Million and No/100 (\$10,000,000.00) in any single instance

and said companies hereby ratify and confirm all and whatsoever said Attorney(s)-in-fact may lawfully do in the premises by virtue of these presents. These appointments are made under and by authority of the following Resolution passed by the Board of Directors of said Companies which resolutions are still in effect:

"RESOLVED, That the President or any Vice President, in conjunction with any Assistant Vice President, be and they are hereby authorized and empowered to appoint Attorneys-in-fact of the Company, in its name and as its acts, to execute and acknowledge for and on its behalf as Surety any and all bonds, recognizances, contracts of indemnity, waivers of citation and all other writings obligatory in the nature thereof, with power to attach thereto the seal of the Company. Any such writings so executed by such Attorneys-in-fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company in their own proper persons." (Adopted October 7, 1981 - The Hanover Insurance Company; Adopted April 14, 1982 - Massachusetts Bay Insurance Company; Adopted September 7, 2001 - Citizens Insurance Company of America)

IN WITNESS WHEREOF, THE HANOVER INSURANCE COMPANY, MASSACHUSETTS BAY INSURANCE COMPANY and CITIZENS INSURANCE COMPANY OF AMERICA have caused these presents to be sealed with their respective corporate seals, duly attested by a Vice President and an Assistant Vice President, this 14<sup>th</sup> day of June, 2010.



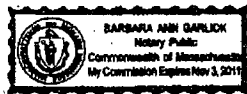
THE HANOVER INSURANCE COMPANY  
MASSACHUSETTS BAY INSURANCE COMPANY  
CITIZENS INSURANCE COMPANY OF AMERICA

*Mary Jeanne Anderson*  
Mary Jeanne Anderson, Vice President

*Robert K. Grennan*  
Robert K. Grennan, Assistant Vice President

THE COMMONWEALTH OF MASSACHUSETTS )  
COUNTY OF WORCESTER ) ss.

On this 13<sup>th</sup> day of June, 2010, before me came the above named Vice President and Assistant Vice President of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, to me personally known to be the individuals and officers described herein, and acknowledged that the seals affixed to the preceding instrument are the corporate seals of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, respectively, and that the said corporate seals and their signatures as officers were duly affixed and subscribed to said instrument by the authority and direction of said Corporations.



*Barbara A. Garlick*  
Notary Public

My commission expires on November 3, 2011

I, the undersigned Assistant Vice President of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, hereby certify that the above and foregoing is a full, true and correct copy of the Original Power of Attorney issued by said Companies, and do hereby further certify that the said Powers of Attorney are still in force and effect.

This Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America.

"RESOLVED, That any and all Powers of Attorney and Certified Copies of such Powers of Attorney and certification in respect thereto, granted and executed by the President or any Vice President in conjunction with any Assistant Vice President of the Company, shall be binding on the Company to the same extent as if all signatures therein were manually affixed, even though one or more of any such signatures thereon may be facsimile." (Adopted October 7, 1981 - The Hanover Insurance Company; Adopted April 14, 1982 Massachusetts Bay Insurance Company; Adopted September 7, 2001 - Citizens Insurance Company of America)

GIVEN under my hand and the seals of said Companies, at Worcester, Massachusetts, this                      day of                      , 20

THE HANOVER INSURANCE COMPANY  
MASSACHUSETTS BAY INSURANCE COMPANY  
CITIZENS INSURANCE COMPANY OF AMERICA

*Stephen L. Brault*  
Stephen L. Brault, Assistant Vice President



W. Marshall Taylor Jr., Acting Director

*Promoting and protecting the health of the public and the environment*

May 1, 2015

Mr. Mike L. Guastella  
Guastella Associates, LLC  
PO Box 360  
Northborough, MA 01532-0360

RE: **Consent Order 15-003-W**  
Daufuskie Island Utility Company  
Permits ND0068179 and ND0062286  
Beaufort County

Dear Mr. Guastella,

We have received, via e-mail, your proposed Corrective Action Plan (CAP) in response to the referenced Consent Order. After review by staff, your proposed CAP has been determined to be acceptable. Pursuant to the terms of the Consent Order, the CAP will now become part of the Order. If you have any questions in this matter, please call me at (803) 898-1261.

Sincerely,

H. Michael Longshore, MPH, REHS  
Water Enforcement Division  
Bureau of Water

**Compliance Evaluation Inspection  
DAUFUSKIE ISLAND CLUB  
PERMIT ND0068179**

**Introduction**

On March 24, 2015, personnel from the South Carolina Department of Health and Environmental Control (SCDHEC) conducted a Compliance Evaluation Inspection (CEI) at the Daufuskie Island Club Wastewater Treatment Facility, Daufuskie Island, South Carolina. The inspector, Penny Cornett met with facility representatives Eric Johanson and Mike Guastella to explain the objectives and procedures of the inspection.

**Permit**

This facility is authorized to discharge under Land Application Discharge Permit No. ND0068179. Treated wastewater is discharged through outfall 001 to an 18 hole golf course at the Daufuskie Island Club development at Bloody Point. Permit information regarding the name and location of the land application site is correct. Permit information regarding the number and location of discharge points is correct. Outfall 001 is for discharge of treated effluent to the effluent holding pond and then to the golf course. Groundwater monitoring is required semi-annually on each of the 9 groundwater monitoring wells on the 18 hole golf course. The permit became effective on April 1, 2009 and expires on September 30, 2018.

Rating: Satisfactory

**Consent Order**

Consent order 15-003-W was executed March 4, 2015. The consent order requires that a Corrective Action Plan (CAP) to address deficiencies noted in the CEI reports and prevent future violations be submitted to the Department within 60 days of the execution date of the order.

Rating: Satisfactory

**Records and Reports**

Records and reports are being maintained as required by the permit. All information is available, complete, current and maintained for a minimum of three years. The Discharge Monitoring Reports (DMRs) for January 2014, January 2015 and February 2015 were reviewed. Analytical results are consistent with the data reported on the DMRs. Sampling and analysis data is adequate and includes dates, times, locations of sampling as well as methods and techniques, results and persons performing sampling and analysis.

The operator's logbook is maintained daily. A preventative maintenance program, emergency procedures, spare parts inventory and pump station inspection program have been established. In accordance with Part II E 3 of the NPDES Permit, the permittee shall develop and maintain at the facility a complete Operations and Maintenance Manual for the waste treatment facilities and/or land application system. The manual shall contain a general description of the treatment process(es), the operational procedures to meet the requirements of the permit and the corrective action to be taken should operating difficulties be encountered.

Rating: Satisfactory

Requirement: Develop an Operations and Maintenance Manual.

### **Flow Measurement**

Flow is measured at the effluent using a 60-degree V notch weir. The weir plate appears to be level, plumb and its top edges are sharp and clean. The stilling basin is of sufficient size and clear of debris. Flow is measured at the effluent with an Endress/Hausser FM U90 flow meter. The flow meter was last calibrated on December 18, 2014. At the time of the inspection, there was no flow over the weir.

Rating: Satisfactory

### **Self-Monitoring**

This facility's self-monitoring program is meeting the requirements of the permit. Samples are taken at sites specified in the permit and the locations are adequate for representative samples. Flow proportioned samples are being collected as required by the permit. Grab samples for fecal coliform, dissolved oxygen and pH are collected properly.

Sampling and analysis is completed on parameters specified by the permit and in the frequencies specified in the permit. The permit requires that samples be collected on the first Wednesday of each month but samples are collected on the first Tuesday of each month. A request to change the sampling date has previously been submitted to the Department. Samples are iced during compositing and proper preservation techniques are used. Containers and sample holding times before analysis conforms with Federal Register 40 CFR 136.3.

Rating: Satisfactory

Requirements: Check that the automatic sampler is pulling the set volume before each sampling event.

### **Facility Site Review**

This 0.08 MGD facility consists of an influent bar screen, aeration pond, chlorine contact chamber, effluent holding pond and effluent pump station to deliver effluent to the golf course.

### **Operations and Maintenance**

At the time of inspection, all treatment units were in service and operating properly with the exception of one aerator that has been removed for repairs. The influent channel was covered in a thick layer of solids. There was duckweed in the aeration basin and holding pond. One tear was noted in the aeration basin liner. All of the lift stations now have two pumps. The effluent pump station has been painted and the jockey pump has been removed as the engineer determined it was not needed. At the time of inspection, there was no discharge. The backflow prevention device at the plant was satisfactorily tested on June 25, 2014. The chlorine scales were calibrated on December 18, 2014.

Rating: Satisfactory

Requirements: 1. Clean the solids from the influent channel. 2. Repair the tear in the aeration basin liner. 3. Repair the aerator.

### **Sludge Handling/Disposal**

This facility currently operates in a manner that does not require routine sludge removal.

Rating: Satisfactory

### **Laboratory**

An on-site laboratory (SCDHEC Laboratory ID 07009, expiration July 3, 2017) at the facility is certified to analyze and report pH, temperature and dissolved oxygen. The other parameters are contracted out to General Environmental Labs (SCDHEC Laboratory ID 27553). A quality assurance manual is available as is a standard operating procedure (SOP).

Rating: Satisfactory

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**Daufuskie Island Utility Company, Inc.  
Water and Wastewater Systems**

**Schedules in Support  
of a  
Rate Increase**

Historical Test Year 12/31/2014

With Known and Measurable Changes through 12/31/2015

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	S-E.2	Pro Forma Billing Analysis at Proposed Rates - Sewer
	S-F.1	Revenue Requirement Calculation - Sewer
	S-F.2	Rate Design - Sewer

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
**Comparative Balance Sheets** ✓

<b>Assets</b>	<b>Water</b> ✓					
	<b>12/31/2009</b>	<b>12/31/2010</b>	<b>12/31/2011</b>	<b>12/31/2012</b>	<b>12/31/2013</b>	<b>12/31/2014</b>
Utility Plant	\$3,211,843	\$3,851,101	\$3,858,489	\$3,864,959	\$3,814,485	\$3,905,259
Accumulated Depreciation	(208,008)	(250,512)	(283,720)	(317,092)	(341,904)	(382,950)
Construction Work in Progress	0	0	0	0	0	29,511
Cash	4,956	5,146	11,842	30,152	369,870	34,576
Accounts Receivable	97,128	212,594	228,274	312,173	205,909	202,206
Provision for Uncollectibles	(45,013)	(67,825)	(67,825)	(67,825)	0	0
Receivables from Associated Co.	0	0	0	0	0	0
Deferred Expenses	0	0	0	202,503	408,150	502,686
Accumulated Deferred Income Tax	0	0	0	0	0	0
<b>Total Assets</b>	<b>\$3,060,906</b>	<b>\$3,750,504</b>	<b>\$3,747,060</b>	<b>\$4,024,870</b>	<b>\$4,456,510</b>	<b>\$4,291,287</b>

**Liabilities & Equity**

Common Stock	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Premium on Capital Stock	1,328,041	1,328,041	664,021	664,021	664,021	664,021
Paid in Capital	2,670,205	3,150,047	2,829,589	2,801,457	1,765,964	1,765,964
Retained Earnings	(1,305,625)	(1,211,687)	(212,815)	(65,714)	(69,317)	(18,326)
Notes and Loans Payable	0	0	0	0	1,369,979	1,307,975
Accounts Payable	42,523	75,245	82,296	272,010	61,678	100,225
Advances from Associated Co.	0	(20,586)	(42,109)	(61,577)	(25,615)	(25,615)
Accrued Taxes	0	0	0	2,130	(1,468)	157
Deferred Credits	0	0	0	0	269,779	72,195
Misc Accrued Liabilities	0	0	0	0	12,443	16,771
Misc Operating Reserves	0	10,659	10,659	0	0	0
Contributions in Aid of Construction	354,000	453,500	454,000	455,000	455,500	458,500
Accum. Amortization of CIAC	(29,238)	(35,715)	(39,581)	(45,456)	(47,455)	(51,580)
<b>Total Liabilities &amp; Equity</b>	<b>\$3,060,906</b>	<b>\$3,750,504</b>	<b>\$3,747,060</b>	<b>\$4,022,870</b>	<b>\$4,456,510</b>	<b>\$4,291,287</b>

<b>Assets</b>	<b>Sewer</b> ✓					
	<b>12/31/2009</b>	<b>12/31/2010</b>	<b>12/31/2011</b>	<b>12/31/2012</b>	<b>12/31/2013</b>	<b>12/31/2014</b>
Utility Plant	\$2,679,330	\$3,637,399	\$3,642,884	\$3,645,734	\$3,474,402	\$4,077,571
Accumulated Depreciation	(258,167)	(317,217)	(347,008)	(376,912)	(369,432)	(404,688)
Construction Work in Progress	0	0	0	18,170	92,951	225,342
Cash	1,479	5,146	11,843	30,152	369,870	34,576
Accounts Receivable	100,732	227,191	279,018	278,142	194,956	198,409
Provision for Uncollectibles	(54,036)	(96,662)	(96,662)	(96,662)	0	0
Receivables from Associated Co.	282,366	5,139	0	0	0	0
Deferred Expenses	0	0	770	202,503	408,150	502,686
Accumulated Deferred Income Tax	0	0	0	0	0	0
<b>Total Assets</b>	<b>\$2,751,704</b>	<b>\$3,460,995</b>	<b>\$3,490,845</b>	<b>\$3,701,129</b>	<b>\$4,170,897</b>	<b>\$4,633,896</b>

**Liabilities & Equity**

Common Stock	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Premium on Capital Stock	0	0	664,020	664,020	664,021	664,021
Paid in Capital	2,579,174	3,226,883	3,547,341	3,519,209	2,459,067	2,459,067
Retained Earnings	(15,339)	31,720	(901,197)	(879,745)	(851,298)	(178,173)
Notes and Loans Payable	0	0	0	0	1,369,979	1,307,975
Accounts Payable	52,443	31,915	32,633	272,010	61,678	100,255
Advances from Associated Co.	26,166	(20,586)	(42,109)	(61,577)	(25,615)	(25,615)
Accrued Taxes	(418)	(418)	(418)	1,674	6,440	8,065
Deferred Credits	0	0	0	0	265,359	72,195
Misc Accrued Liabilities	0	0	0	0	36,673	41,001
Misc Operating Reserves	0	5,118	5,118	0	0	0
Contributions in Aid of Construction	116,795	197,295	197,795	199,295	199,795	201,795
Accum. Amortization of CIAC	(8,117)	(11,932)	(13,338)	(14,757)	(16,202)	(17,689)
<b>Total Liabilities &amp; Equity</b>	<b>\$2,751,704</b>	<b>\$3,460,995</b>	<b>\$3,490,845</b>	<b>\$3,701,129</b>	<b>\$4,170,897</b>	<b>\$4,633,896</b>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
**Comparative Income Statements for 12 Months Ended**

	<b>Water</b>					
	<b><u>12/31/2009</u></b>	<b><u>12/31/2010</u></b>	<b><u>12/31/2011</u></b>	<b><u>12/31/2012</u></b>	<b><u>12/31/2013</u></b>	<b><u>12/31/2014</u></b>
Revenues:						
Metered Sales	\$152,708	\$219,825	\$234,370	\$281,237	\$315,254	\$309,860
Availability Billing	38,173	128,829	132,903	154,579	208,970	213,004
Interdepartmental Sales	0	0	0	0	0	0
Other Revenue	1,051	3,775	2,671	5,405	4,908	20,444
Total Operating Revenue	<u>191,932</u>	<u>352,429</u>	<u>369,944</u>	<u>441,221</u>	<u>529,131</u>	<u>543,308</u>
Expenses:						
O&M Expense	200,864	327,999	315,487	338,308	427,489	472,592
Depreciation	29,371	29,209	29,342	29,498	29,981	36,921
Amortization					46,210	46,210
Taxes, Other	616	9,132	10,721	11,684	7,633	8,759
Income Tax	0	0	0	0	0	0
Total Operating Expense	<u>230,851</u>	<u>366,340</u>	<u>355,550</u>	<u>379,490</u>	<u>511,313</u>	<u>564,482</u>
Net Operating Income	(38,919)	(13,911)	14,394	61,731	17,818	(21,174)
Other Income	0	0	0	0	65	122
Interest Expense	0	0	0	0	(6,061)	(88,763)
Other Expenses	0	0	0	0	0	(3,607)
Net Income	<u><u>(\$38,919)</u></u>	<u><u>(\$13,911)</u></u>	<u><u>\$14,394</u></u>	<u><u>\$61,731</u></u>	<u><u>\$11,822</u></u>	<u><u>(\$113,422)</u></u>
	<b>Sewer</b>					
	<b><u>12/31/2009</u></b>	<b><u>12/31/2010</u></b>	<b><u>12/31/2011</u></b>	<b><u>12/31/2012</u></b>	<b><u>12/31/2013</u></b>	<b><u>12/31/2014</u></b>
Revenues:						
Metered Sales	\$111,102	\$172,731	\$171,405	\$195,602	\$224,335	\$246,745
Availability Billing	67,864	159,901	165,380	191,065	271,878	276,661
Interdepartmental Sales	137,080	0	0	0	0	0
Other Revenue	1,966	4,975	2,881	6,609	4,908	9,749
Total Operating Revenue	<u>318,012</u>	<u>337,607</u>	<u>339,666</u>	<u>393,276</u>	<u>501,120</u>	<u>533,155</u>
Expenses:						
O&M Expense	271,573	262,600	250,362	263,682	338,772	382,145
Depreciation	25,884	28,170	28,384	28,486	28,770	36,151
Amortization					46,210	46,210
Taxes, Other	1,963	6,498	9,358	9,645	11,392	8,759
Income Tax	0	0	0	0	0	0
Total Operating Expense	<u>299,420</u>	<u>297,268</u>	<u>288,104</u>	<u>301,813</u>	<u>425,144</u>	<u>473,265</u>
Net Operating Income	18,592	40,339	51,562	91,463	75,977	59,890
Other Income	0	0	0	0	65	122
Interest Expense	0	0	0	0	(6,061)	(88,763)
Other Expenses	0	0	0	0	0	(3,607)
Net Income	<u><u>\$18,592</u></u>	<u><u>\$40,339</u></u>	<u><u>\$51,562</u></u>	<u><u>\$91,463</u></u>	<u><u>\$69,981</u></u>	<u><u>(\$32,358)</u></u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
**Water and Sewer Operations**

**Capital Structure and Rate of Return**

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Return</u>
L-T Debt	\$3,750,000	41.2%	6.20%	2.55%	\$232,269
S-T Debt	0	0.0%	2.42%	0.00%	0
Equity	<u>5,358,573</u>	<u>58.8%</u>	10.50%	<u>6.18%</u>	<u>562,910</u>
	<u><u>\$9,108,573</u></u>	<u><u>100.0%</u></u>		<u><u>8.73%</u></u>	<u><u>\$795,178</u></u>

Connecticut DPUC Formula:

Average Large Company	9.69%
Small Company Adder	0.50%
Performance Adder	0.50%
	<u><u>10.69%</u></u>

Florida PSC Leverage Graph Formula:

5.6% + (2.279 / Equity Ratio) = ROE			
Range	100%	=	7.88%
	40%	=	11.30%
Equity Ratio	58.8%	=	<u><u>9.47%</u></u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
**Combined Operating Statement**

	12/31/2015				
	Year-End 12/31/2014	Adjustments	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
Operating Revenue:					
Residential	\$307,239	\$20,165	\$327,404	\$383,382	\$710,786
Commercial	151,057	(2,549)	148,507	139,082	287,589
Irrigation	98,309	6,559	104,868	108,369	213,238
Availability Billing	489,665	(15,338)	474,327	518,553	992,880
Misc. Other Revenue	30,193	121	30,314	32,915	63,229
Interdepartmental Sales	0	0	0	0	0
Billing Adjustments	0	0	0	0	0
Total Revenues	1,076,463	8,958	1,085,421	1,182,301	2,267,721
Operating Expense:					
Wages	156,602	8,149	164,751	0	164,751
Benefits	8,980	1,706	10,686	0	10,686
Director's Fees	16,500	0	16,500	0	16,500
Sludge Disposal	0	0	0	0	0
Power	115,437	51,281	166,718	0	166,718
Chemicals	9,019	491	9,510	0	9,510
Supplies & Maintenance	27,136	1,407	28,543	0	28,543
Outside Services-Mgmt	157,650	13,714	171,364	0	171,364
Outside Services-Engineering	10,137	9,002	8,013	0	8,013
Outside Services-Accounting	2,761	0	2,761	0	2,761
Outside Services-Legal	23,178	0	23,178	0	23,178
Outside Services-Testing	92,288	0	92,288	0	92,288
Outside Services-Other	38,621	(4,269)	38,621	0	38,621
Other Operating Expenses	0	0	0	0	0
Transportation	2,450	306	2,756	0	2,756
Bad Debt	105,667	(90,905)	14,762	16,090	30,852
Insurance	30,205	18,117	48,322	0	48,322
Regulatory Commission Expense	15,745	(109)	15,636	0	15,636
Other A&G Expenses	36,436	0	36,436	0	36,436
Total O&M Expense	848,814	8,890	850,846	16,090	866,936
Depreciation	73,072	22,194	95,266	0	95,266
Amortization	92,421	113,655	206,076	0	206,076
Revenue Taxes	6,048	806	6,854	7,466	14,320
Property Taxes	4,209	188,092	192,302	0	192,302
Payroll Taxes	13,183	549	13,731	0	13,731
State and Federal Income Taxes	0	0	0	260,495	260,495
Total Operating Expenses	1,037,747	334,186	1,365,076	284,051	1,649,127
Net Operating Income	\$38,716		(\$279,656)		\$618,595
Rate Base	\$7,014,171		\$7,085,475		\$7,085,475
Rate of Return	0.55%		-3.95%		8.73%
				Revenue Increase	108.9%

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Water Rate Base Calculation**

	12/31/2014	Test Year Additions	Adjusted Test Year	Pro Forma Adjustment	Pro Forma 12/31/2015
Plant in Service	\$3,899,032	\$6,227	\$3,905,259	\$44,698	\$3,949,957
Accumulated Depreciation	(382,950)	0	(382,950)	(46,446)	(429,396)
CWIP	29,511	0	29,511	(29,511)	0
Contributions in Aid of Construction	(458,500)	0	(458,500)	(19,250)	(477,750)
Accum. Amortization of CIAC	51,580	0	51,580	4,508	56,088
Net Plant	3,138,672	6,227	3,144,899	(46,001)	3,098,898
Working Capital (1/5th O&M)	0	93,920	93,920	2,035	95,955
Unamortized Balances	0	0	0	83,650	83,650
Rate Base	<u>\$3,138,672</u>	<u>\$100,147</u>	<u>\$3,238,819</u>	<u>\$39,684</u>	<u>\$3,278,503</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
Adjustments to Pro Forma Water System Rate Base

1 Adjustments to Utility Plant in Service.			
a) UPIS Pro Forma Additions			
Meter & Meter Boxes	\$	15,187	
b) UPIS Reclass from CWIP			
Storage Tank Land Costs		<u>29,511</u>	
	Adjustment		<u>\$ 44,698</u>
2 Adjust accumulated depreciation to reflect pro forma annual depreciation.			
a) Annual Depreciation (Schedule C-3)	\$	<u>46,446</u>	
	Adjustment		<u>\$ (46,446)</u>
3 Reclass Construction Work in Progress to Plant in Service.			
	Adjustment		<u>\$ (29,511)</u>
4 Adjust CIAC for Tap Fees related to pro forma customer growth.			
	Adjustment		<u>\$ (19,250)</u>
5 Adjust accumulated amortization of CIAC to reflect pro forma annual amortization.			
a) Annual Amortization (Schedule C-3)	\$	<u>(4,508)</u>	
	Adjustment		<u>\$ 4,508</u>
6 Adjust working capital allowance for changes to O&M expenses.			
Expense Adjustment		10,177	
Working Capital Allowance (Qtrly Billing)		<u>20%</u>	
	Adjustment		<u>\$ 2,035</u>
7 Adjustment to reflect the average unamortized balance of rate case expense and deferred property taxes.			
Rate Case Costs		95,600	
Amortization Period (yrs)		<u>4</u>	
Average Unamortized Balance		83,650	
	Adjustment		<u>\$ 83,650</u>

**Daufuskie Island Utility Company, Inc.  
Water and Wastewater Systems**

**Water Utility Plant in Service**

	<u>UPIS Acct</u>	<u>Balance 12/31/2014</u>	<u>Additions</u>	<u>Adjusted Test Year</u>	<u>Pro Forma Adjustment</u>	<u>Pro Forma 12/31/2015</u>
Organizational Costs	301	\$ 73,597		\$ 73,597		\$ 73,597
Land	303	56,702	5,128	61,830	29,511	91,341
Wells	307	794,865		794,865		794,865
Misc Equipment-Source	339	9,104		9,104		9,104
Water Treatment Plant	320	321,643	(1,824)	319,819		319,819
Distribution Reservoirs	330	869,379		869,379		869,379
Storage - Other	330A	37,946		37,946		37,946
T&D Plant	311	75,414		75,414		75,414
Mains, Hydrts, Serv	331	1,509,688		1,509,688		1,509,688
Meters	334	8,786	2,922	11,708	15,187	26,896
Other Intangible Plant	348	404		404		404
Plant-Structures	304	104,082		104,082		104,082
Office Equipmt	340	13,820		13,820		13,820
Transportation Equipmt	341	18,067		18,067		18,067
General Plant-Tools & Equip	343	5,536		5,536		5,536
		<u>\$ 3,899,032</u>	<u>\$ 6,227</u>	<u>\$ 3,905,259</u>	<u>\$ 44,698</u>	<u>\$ 3,949,957</u>
Total Water Plant		<u>\$ 3,899,032</u>	<u>\$ 6,227</u>	<u>\$ 3,905,259</u>	<u>\$ 44,698</u>	<u>\$ 3,949,957</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Water Accumulated Depreciation**

	UPIS Acct	Balance 12/31/2014	Additions	Adjusted Test Year	Pro Forma Adjustment	Pro Forma 12/31/2015
Wells	307	\$ 88,101		\$ 88,101	\$ 7,500	\$ 95,601
Misc Equipment-Source	339	82		82	172	254
Water Treatment Plant	320	21,797		21,797	3,749	25,546
Distribution Reservoirs	330	60,598		60,598	8,203	68,802
Storage - Other	330A	-		-	3,162	3,162
T&D Plant	311	(3,048)		(3,048)	907	(2,142)
Mains, Hydrts, Serv	331	195,966		195,966	14,245	210,212
Meters	334	649		649	846	1,495
Other Intangible Plant	348	8		8	16	24
General Plant-Structures	304	7,672		7,672	2,836	10,508
Office Equipmt	340	808		808	691	1,499
Transportation Equipmt	341	8,369		8,369	3,011	11,380
General Plant-Tools & Equip	343	1,947		1,947	1,107	3,054
		<u>\$ 382,950</u>	<u>\$ -</u>	<u>\$ 382,950</u>	<u>\$ 46,446</u>	<u>\$ 429,396</u>
Total Water Plant						

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Water CIAC and Accumulated Amortization**

	Balance 12/31/2014	Additions	Adjusted Test Year	Pro Forma Adjustment	Pro Forma 12/31/2015
CIAC - Tap Fees	\$ 339,500	\$ -	\$ 339,500	\$ 19,250	\$ 358,750
CIAC - Other	119,000		119,000	-	119,000
Water - CIAC	<u>\$ 458,500</u>	<u>\$ -</u>	<u>\$ 458,500</u>	<u>\$ 19,250</u>	<u>\$ 477,750</u>
Accum. Amortization - Tap Fees	\$ 38,193	\$ -	\$ 38,193	\$ 3,385	\$ 41,578
Accum. Amortization - Other	13,387	-	13,387	1,123	14,510
Water - CIAC Amortization	<u>\$ 51,580</u>	<u>\$ -</u>	<u>\$ 51,580</u>	<u>\$ 4,508</u>	<u>\$ 56,088</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Water Operating Statement**

	Year-End 12/31/2014	Ref.	Adjustments	12/31/2015	
				Pro Forma Present Rates	Pro Forma Proposed Rates
<b>Operating Revenue:</b>					
Residential	\$139,071	E-1	\$7,519 (1a)	\$146,590	\$173,488 (1b)
Commercial	72,479	E-1	452 (1c)	72,931	58,633 (1d)
Irrigation	98,309	E-1	6,559 (1e)	104,868	108,369 (1f)
Availability Billing	213,004	E-1	(10,848) (1g)	202,156	227,804 (1h)
Misc. Other Revenue	20,444	E-1	88 (1i)	20,531	22,159 (1j)
Metered Sales-Other	0		0	0	0
Billing Adj (Remove Tap Fees)	0		0	0	0
<b>Total Revenues</b>	<b>543,308</b>		<b>3,769</b>	<b>547,077</b>	<b>1,137,531</b>
<b>Operating Expense:</b>					
Wages	78,301	C-2	4,075 (2)	82,376	82,376
Benefits	4,490	C-2	853 (3)	5,343	5,343
Officer & Director's Fees	8,250	C-2	0 (4)	8,250	8,250
Sludge Disposal	0	C-2		0	0
Purchased Water	0	C-2		0	0
Power	57,581	C-2	25,514 (5)	83,095	83,095
Chemicals	4,510	C-2	230 (6)	4,740	4,740
Supplies & Maintenance	13,849	C-2	695 (7)	14,544	14,544
Outside Services-Mgmt	78,825	C-2	6,857 (8)	85,682	85,682
Outside Services-Engineering	425	C-2	2,145 (9)	2,570	2,570
Outside Services-Accounting	1,381	C-2		1,381	1,381
Outside Services-Legal	11,589	C-2		11,589	11,589
Outside Services-Testing	81,578	C-2		81,578	81,578
Outside Services-Other	31,026	C-2		31,026	31,026
Other Operating Expenses	0	C-2		0	0
Transportation	1,225	C-2	153 (10)	1,378	1,378
Bad Debt	52,834	C-2	(46,158) (11)	6,676	7,203 (20)
Insurance	18,197	C-2	5,964 (12)	24,161	24,161
Regulatory Commission Expense	10,861	C-2	2,645 (13)	13,506	13,506
Other A&G Expenses	14,683	C-2		14,683	14,683
<b>Total O&amp;M Expense</b>	<b>469,602</b>		<b>2,974</b>	<b>472,576</b>	<b>479,779</b>
Depreciation, Net	36,921	C-2	5,017 (14)	41,938	41,938
Amortization	46,210	C-2	56,828 (15)	103,038	103,038
Revenue Taxes	3,052	C-2	403 (16)	3,455	3,729 (21)
Property Taxes	2,105	C-2	89,863 (17)	91,967	91,967
Payroll Taxes	6,591	C-2	274 (18)	6,866	6,866
State and Federal Income Taxes	0	C-2	0 (19)	0	120,533 (22)
<b>Total Operating Expenses</b>	<b>564,482</b>		<b>155,358</b>	<b>719,840</b>	<b>851,305</b>
<b>Net Operating Income</b>	<b>(\$21,174)</b>			<b>(\$172,763)</b>	<b>\$286,227</b>
<b>Rate Base</b>	<b>\$3,238,819</b>			<b>\$3,278,503</b>	<b>\$3,278,503</b>
<b>Rate of Return</b>	<b>-0.65%</b>			<b>-5.27%</b>	<b>8.73%</b>
				<b>Revenue Increase</b>	<b>107.9%</b>

**Daufuskie Island Utility Company, Inc.**  
Adjustments to Operating Statement (Water)

Schedule W-C.1

Adjustment (1)

a)	Adjust residential revenue to reflect the pro forma number of customers at present rates.			
	Residential Revenue Per Schedule E.1	146,590		
	Less: Residential Revenue - Test Year	139,071		
	Adjustment			<u>7,519</u>
b)	Adjust residential revenue to reflect the pro forma number of customers at proposed rates.			
	Residential Revenue Per Schedule E.2	320,078		
	Less: Residential Revenue Per Schedule E.1	146,590		
	Adjustment			<u>173,488</u>
c)	Adjust commercial revenue to reflect the pro forma number of customers at present rates.			
	Commercial Revenue Per Schedule E.1	72,931		
	Less: Commercial Revenue - Test Year	72,479		
	Adjustment			<u>452</u>
d)	Adjust commercial revenue to reflect the pro forma number of customers at proposed rates.			
	Commercial Revenue Per Schedule E.2	131,564		
	Less: Commercial Revenue Per Schedule E.1	72,931		
	Adjustment			<u>58,633</u>
e)	Adjust irrigation revenue to reflect the pro forma demand at present rates.			
	Irrigation Revenue Per Schedule E.1	104,868		
	Less: Irrigation Revenue - Test Year	98,309		
	Adjustment			<u>6,559</u>
f)	Adjust irrigation revenue to reflect the pro forma demand at proposed rates.			
	Irrigation Revenue Per Schedule E.2	213,238		
	Less: Irrigation Revenue Per Schedule E.1	104,868		
	Adjustment			<u>108,369</u>
g)	Adjust availability revenue to reflect the pro forma number of customers at present rates.			
	Availability Revenue Per Schedule E.1	202,156		
	Less: Availability Revenue - Test Year	213,004		
	Adjustment			<u>(10,848)</u>
h)	Adjust availability revenue to reflect the pro forma number of customers at proposed rates.			
	Availability Revenue Per Schedule E.2	429,960		
	Less: Availability Revenue Per Schedule E.1	202,156		
	Adjustment			<u>227,804</u>
i)	Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at present rates relative to test year total revenue.			
	Misc Revenue Per Schedule E.1	Total Rev. 547,077	Misc. Rev. 20,531	
	Less: Misc Revenue - Test Year	544,745	3.75% 20,444	
	Adjustment			<u>88</u>
j)	Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at proposed rates relative to pro forma total revenue at present rates.			
	Misc Revenue Per Schedule E.2	Total Rev. 1,137,531	Misc. Rev. 42,691	
	Less: Misc Revenue Per Schedule E.1	547,077	3.75% 20,531	
	Adjustment			<u>22,159</u>

**Daufuskie Island Utility Company, Inc.**  
Adjustments to Operating Statement (Water)

Adjustment (2)

Increase the previous level of wages for 4 full-time shared employees to reflect the wages of 4 full-time  
1 part-time shared employee (an effort to reduce OT) including a 3% wage increase for the full-time employees.

Pro forma costs (WP 7.4)	82,376	
Less: Test period costs	<u>78,301</u>	
Adjustment		<u>4,075</u>

Adjustment (3)

Adjust employee insurance benefits to reflect current premiums.

Pro forma costs (WP 7.4)	5,343	
Less: Test period costs	<u>4,490</u>	
Adjustment		<u>853</u>

Adjustment (4)

Adjust Directors' Fees to reflect annual Officer's fees of \$12,000 and Directors' fees of \$4,500  
split between water and sewer operations.

Pro forma costs	8,250	
Less: Test period costs	<u>8,250</u>	
Adjustment		<u>0</u>

Adjustment (5)

Adjust pro forma bills to reflect corrected 2nd and 3rd quarter SCE&G bills and  
increase the level of power costs for increased system demand.

	Test Period	Factor	Pro Forma	
July-YE Power	39,527			
Annualized SCE&G Corrected Bills	79,053	1.051	83,095	
less: Test Year			<u>57,581</u>	
Adjustment				<u>25,514</u>

Adjustment (6)

Increase the level of chemical costs for increased system demand.

	Test Period	Factor	Pro Forma	
Chemicals	4,510	1.051	4,740	
Adjustment				<u>230</u>

Adjustment (7)

Increase the level of operating supply costs for increased number of customers.

Test period costs	13,849	
Factor for increase in customers	<u>1,050</u>	
	14,544	
Adjustment		<u>695</u>

Adjustment (8)

Adjust Outside Services-Management to reflect contractual annual increases.

Test period costs	78,825	
Factor for increase in customers	<u>1,050</u>	
	82,785	
Annual Increase	<u>3.5%</u>	
	85,682	
Adjustment		<u>6,857</u>

Adjustment (9)

Adjust Outside Services-Engineering to reflect 2011-2014 average cost.

	2011	2012	2013	2014	Average	
Annual Cost	3,200	3,563	3,093	425	2,570	
Less: Test period costs					<u>425</u>	
Adjustment						<u>2,145</u>

**Daufuskie Island Utility Company, Inc.**  
Adjustments to Operating Statement (Water)

Adjustment (10)

Adjust transportation costs relative to the number of employees.

	Test Period	Factor	Pro Forma	
Transportation	1,225	1.125	1,378	
Adjustment				<u>153</u>

Adjustment (11)

Adjust bad debt expense to reflect revenue write-off percentages established in prior case applied to pro forma revenue under present rates.

Metered Sales-Bad debt at .5% of revenues	324,390	0.5%	1,622	
Availability Sales-Bad Debt at 2.5% of revenue	202,156	2.5%	5,054	
			<u>6,676</u>	
Test period costs			52,834	
Adjustment				<u>(46,158)</u>

Adjustment (12)

Adjustment to record general liability insurance to reflect recent premiums.

	Vehicle	Op Bond	General	Flood	Water Syst.	
Pro Forma Expense	2,576	10,500	28,531	6,715	24,161	
Test Period Expense					<u>18,197</u>	
Adjustment						<u>5,964</u>

Adjustment (13)

Adjust Regulatory Expenses to reflect most recent DHEC drinking water annual bills.

	Melrose Area	Haig Pt.		
Pro Forma Expense	6,731	6,775	13,506	
Test Period Expense			<u>10,861</u>	
Adjustment				<u>2,645</u>

Adjustment (14)

Adjustment to reflect the annual depreciation for pro forma plant in service.

Pro Forma Depreciation Expense	41,938	
Test period Depreciation Expense	<u>36,921</u>	
Adjustment		<u>5,017</u>

Adjustment (15)

Adjustment to reflect the amortization of rate case expense and deferred Property Taxes.

	Cost	Years	Annual	
Total rate case cost	95,600	4	23,900	
Property Taxes	263,422	8	<u>32,928</u>	
Annual amortization				<u>56,828</u>

Adjustment (16)

Adjustment to reflect the revenue taxes on pro forma revenue under present rates.

Revenue	547,077	
Revenue Tax Rate	<u>0.63150%</u>	
	3,455	
Less: Test Year Revenue Tax	<u>3,052</u>	
Adjustment		<u>403</u>

Adjustment (17)

Adjustment property Taxes to reflect actual tax bills and rates for updated market values of Land, Building &amp; Contents.

	Market Value	Assessed Value	Effective Tax Rate	Property Tax Amt	
Pro Forma Property Taxes	3,520,560	369,659	0.248790	91,967	
Less: Test Year Property Taxes				<u>2,105</u>	
Adjustment					<u>89,863</u>

Adjustment (18)

Increase the level of payroll taxes to reflect pro forma wages.

Pro forma costs (WP 7.4)	6,866	
Test period costs	<u>6,591</u>	
Adjustment		<u>274</u>

**Daufuskie Island Utility Company, Inc.**  
Adjustments to Operating Statement (Water)

Adjustment (19)

Adjustment to reflect State and Federal Income Taxes.

Revenue	547,077			
O&M Expense	(472,576)			
Depreciation	(41,938)			
Amortization	(103,038)			
Taxes - Other	(102,288)			
Interest Expense	<u>(83,602)</u>			
State Taxable Income	(256,365)			
State Income Tax Rate		5.000%		
SIT			0	
Federal Taxable Income	<u>(256,365)</u>			
Federal Income Tax Rate		32.466%		
FIT			0	
Pro Forma Income Tax			0	
Test Period Income Tax			0	
Adjustment				<u>0</u>

Adjustment (20)

Adjust bad debt expense to reflect rate increase.

Pro forma Bad Debt at Present Rates	6,676			
Rate Increase Percentage	<u>107.9%</u>			
Adjustment				<u>7,203</u>

Adjustment (21)

Adjustment to reflect the revenue taxes on pro forma revenue under proposed rates.

Revenue Requirement	1,137,518			
Revenue Tax Rate	<u>0.63150%</u>			
Revenue Tax at Proposed Rates	7,183			
Revenue Tax at Present Rates	<u>3,455</u>			
Adjustment				<u>3,729</u>

Adjustment (22)

Adjustment to reflect State and Federal Income Taxes.

Revenue Requirement	1,137,518			
O&M Expense	(479,779)			
Depreciation	(41,938)			
Amortization	(103,038)			
Taxes - Other	(106,017)			
Interest Expense	<u>(83,602)</u>			
State Taxable Income	323,144			
State Income Tax Rate		5.000%		
SIT			16,157	
Federal Taxable Income	<u>306,987</u>			
Federal Income Tax Rate		34.000%		
FIT			104,376	
Pro Forma Income Tax-Proposed Rates			120,533	
Pro Forma Income Tax-Present Rates			0	
Adjustment				<u>120,533</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
**Operating Expenses - Water**

	Acct	12 Months Ended 12/31/13 Expense	12 Months Ended 12/31/14 Expense	Adjusted Rate Year Expense
Wages	601	89,584	78,301	82,376
Benefits	603	5,495	4,490	5,343
Officer & Director's Fees	604	2,250	8,250	8,250
Sludge Disposal		0	0	0
Purchased Water		0	0	0
Power	615	36,586	57,581	83,095
Chemicals	618	5,936	4,510	4,740
Supplies & Maintenance	620	9,411	13,849	14,544
Outside Services-Mgmt	634	76,157	78,825	85,682
Outside Services-Engineering	631	3,093	425	2,570
Outside Services-Accounting	632	2,496	1,381	1,381
Outside Services-Legal	633	5,819	11,589	11,589
Outside Services-Testing	635	45,770	81,578	81,578
Outside Services-Other	636	11,438	31,026	31,026
Other Operating Expenses		0	0	0
Transportation	650	2,715	1,225	1,378
Bad Debt	670	71,457	52,834	6,676
Insurance	657	31,100	18,197	24,161
Regulatory Commission Expense	667	12,839	13,850	13,506
a) Reclass to Revenue Tax	667	(1,995)	(2,989)	
Other A&G Expenses	675	15,344	14,683	14,683
Total O&M Expense		<u>425,494</u>	<u>469,602</u>	<u>472,576</u>
Depreciation	403	29,981	36,921	41,938
Amortization	407	46,210	46,210	103,038
Revenue Taxes	408	63	63	3,455
a) Reclass from Reg. Comm. Exp.	408	1,995	2,989	0
Property Taxes	408	3,985	2,105	91,967
Payroll Taxes	408	3,586	6,591	6,866
State and Federal Income Taxes	409	0	0	0
Total Operating Expenses		<u>511,313</u>	<u>564,482</u>	<u>719,840</u>

**Daufuskie Island Utility Company, Inc.  
Water and Wastewater Systems**

**Depreciation Expense - Water**

	<u>Pro Forma UPIS Balance</u>	<u>Depreciation Rate</u>	<u>Pro Forma Utilization</u>	<u>Pro Forma Depreciation Expense</u>
Wells	\$ 794,865	2.000%	47.18%	\$ 7,500
Misc Equipment-Source	9,104	4.000%	47.18%	172
Water Treatment Plant	319,819	2.484%	47.18%	3,749
Distribution Reservoirs	869,379	2.000%	47.18%	8,203
Storage - Other	37,946	8.333%	100.00%	3,162
T&D Plant	75,414	2.548%	47.18%	907
Mains, Hydrts, Serv	1,509,688	2.000%	47.18%	14,245
Meters	26,896	6.667%	47.18%	846
Other Intangible Plant	404	4.000%	100.00%	16
General Plant-Structures	104,082	2.725%	100.00%	2,836
Office Equipmt	13,820	5.000%	100.00%	691
Transportation Equipmt	18,067	16.667%	100.00%	3,011
General Plant-Equipment	5,536	20.000%	100.00%	1,107
CIAC - Tap Fees	(358,750)	2.000%	47.18%	(3,385)
CIAC - Other	<u>(119,000)</u>	2.000%	47.18%	<u>(1,123)</u>
	3,307,269			41,938
Depreciation Expense				\$ 46,446
Amortization of CIAC				<u>(4,508)</u>
Net Depreciation				<u>\$ 41,938</u>

## Schedule W-D

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
**Water Capital Structure and Rate of Return**

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
L-T Debt	\$1,349,760	41.2%	6.20%	2.55%
S-T Debt	0	0.0%	2.42%	0.00%
Equity	<u>1,928,743</u>	<u>58.8%</u>	10.50%	<u>6.18%</u>
	<u><u>\$3,278,503</u></u>	<u><u>100.0%</u></u>		<u><u>8.73%</u></u>



**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Water Billing Analysis at Present Rates**  
**Pro Forma Year-End 12/31/2015**

[illegible]

**Water Billing Analysis at Proposed Rates**  
**Pro Forma Year-End 12/31/2015**

[illegible]

Residential-DIUC	1,092.0			\$149.30	\$163,036		\$163,036
Total gals		12,038.050	12,038.000	\$4.41		\$53,088	\$53,088
Residential-MUC/BP	492.0			\$149.30	\$73,456		\$73,456
Total gals		6,916.301	6,916.000	\$4.41		\$30,500	\$30,500
	<u>1,584.0</u>	<u>18,954.351</u>	<u>18,954.000</u>		<u>\$236,491</u>	<u>\$83,587</u>	<u>\$320,078</u>

Commercial-DIUC	104.0			\$209.01		\$21,737		\$21,737
Total gals		4,545.000	4,545.000		\$4.41		\$20,043	\$20,043
Commercial-MUC/BP	164.0			\$209.01		\$34,278		\$34,278
Total gals		4,245.452	4,245.000		\$4.41		\$18,720	\$18,720
Multi-Unit-MUC/BP	176.0			\$209.01		\$36,786		\$36,786
Total gals		0.000	0.000		\$4.41		\$0	\$0
	<u>444.0</u>	<u>8,790.452</u>	<u>8,790.000</u>			<u>\$92,800</u>	<u>\$38,764</u>	<u>\$131,564</u>

Irrigation-DIUC	864.0					
0 to 18,000 gals (quarterly)		8,816.844	8,817.000	\$4.85	\$42,762	\$42,762
18,001 to 60,000 gals		10,356.694	10,357.000	\$5.73	\$59,346	\$59,346
Over 60,000 gals		10,588.575	10,589.000	\$6.61	\$69,993	\$69,993
Irrigation-MUC	200.0					
0 to 18,000 gals (quarterly)		1,487.315	1,487.000	\$4.85	\$7,212	\$7,212
18,001 to 60,000 gals		2,176.337	2,176.000	\$5.73	\$12,468	\$12,468
Over 60,000 gals		3,245.976	3,246.000	\$6.61	\$21,456	\$21,456
	<u>1,064.0</u>	<u>36,671.741</u>	<u>36,672.000</u>		<u>\$213,238</u>	<u>\$213,238</u>

Total Water Revenues	3,092.0	64,416.544	64,416.000		\$329,292	\$335,589	\$664,881
					28.95%	29.50%	
Availability Billing-DIUC	2,280.0			\$107.49			\$245,077
Availability Billing-MUC/BP	1,720.0			\$107.49			\$184,883
	<u>4,000.0</u>						<u>\$429,960</u>

Misc. Revenue (Late Chgs)	3.75%	\$42,691
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Total Water Operating Revenue	\$1,137,531
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**Daufuskie Island Utility Company, Inc.****Revenue Requirement**

		<u>Water</u>
Equity Return		\$202,612
Gross Revenue Tax	0.63150%	2,054
Effective Income Tax Rate	37.3000%	<u>120,533</u>
Equity Grossed-Up	37.6960%	325,198
O&M Expenses		479,779
Depreciation		41,938
Amortization		103,038
Property Taxes		91,967
Payroll Taxes		6,866
Interest Expense		<u>83,602</u>
		807,190
Gross Revenue Tax		<u>5,130</u>
		812,320
Revenue Requirement		<u><u>\$1,137,518</u></u>
Revenue @ Present Rates		547,077
Percentage Increase		107.9%

## Daufuskie Island Utility Company, Inc.

## Rate Design - Water System

## Metered Sales

	PRESENT Quarterly Rates	Factor	PROPOSED Quarterly Rates	Percentage Change	Pro Forma Existing Rates:				
<b>Base Service:</b>					Service Charge Revenue	\$ 163,001.24	29.79%	66.75%	Base
Residential-DIUC	\$ 62.09	1.00	\$ 149.30	140.5%	Metered Usage Revenue	56,520.06	10.33%	29.50%	Usage
Residential-MUC/BP	\$ 80.72	1.30	\$ 149.30	85.0%	Irrigation Revenue	104,868.49	19.17%		
Commercial-DIUC	\$ 86.93	1.40	\$ 209.01	140.4%	Availability Revenue	202,156.20	36.95%		
Commercial-MUC/BP	\$ 136.60	2.20	\$ 209.01	53.0%	Subtotal	\$ 526,545.99			
Multi-Family-MUC/BP	\$ 136.60	2.20	\$ 209.01	53.0%	Late Charge Revenue	20,531.50	3.75%	3.75%	
Availability Billing-DIUC	\$ 31.05	0.50	\$ 107.49	246.2%	Total Revenue	\$ 547,077.49		100.00%	
Availability Billing-MUC/BP	\$ 76.38	1.23	\$ 107.49	40.7%					
					<b>Pro Forma Revenue Requirement:</b>				
					Service Charge Revenue	\$ 338,922.50		(Sch E.2 Results)	% Increase
					Metered Usage Revenue	117,520.09		\$ 329,291.64	102.0%
					Irrigation Revenue	218,049.21		122,351.04	116.5%
					Availability Revenue	420,335.98		213,237.84	103.3%
					Subtotal	\$ 1,094,827.78		429,960.00	112.7%
					Late Charge Revenue	42,690.39		\$ 1,094,840.52	107.9%
					Total Revenue	\$ 1,137,518.16		\$ 1,137,531.40	107.9%

## Usage:

Residential-DIUC	\$ 2.76	1.00	\$ 4.41	59.8%
Residential-MUC/BP	\$ 2.44	0.88	\$ 4.41	80.7%
Commercial-DIUC	\$ 2.76	1.00	\$ 4.41	59.8%
Commercial-MUC/BP	\$ 1.95	0.71	\$ 4.41	126.2%
Multi-Family-MUC/BP	\$ 1.95	0.71	\$ 4.41	126.2%

## TPL Treatment Plant-DIUC

0 to 18,000 gals (quarterly)	\$ -	0.00	\$ -	0.0%	Quarterly Bills	1,092	Factor	1.00	Factored Bills	1,092.0	Proposed Rate	\$ 149.30
18,001 to 60,000 gals	\$ -	0.00	\$ -	0.0%	Residential-DIUC	1,092	1.00	1.00	492.0	492.0	\$ 149.30	\$ 149.30
Over 60,000 gals	\$ -	0.00	\$ -	0.0%	Residential-MUC/BP	104	1.40	1.40	145.6	145.6	\$ 209.01	\$ 209.01
					Commercial-DIUC	164	1.40	1.40	229.6	229.6	\$ 209.01	\$ 209.01
					Commercial-MUC/BP	176	1.40	1.40	246.4	246.4	\$ 209.01	\$ 209.01
					Multi-Family-MUC/BP	2,280	0.72	0.72	1,641.6	1,641.6	\$ 107.49	\$ 107.49
					Availability Billing-DIUC	1,720	0.72	0.72	1,238.4	1,238.4	\$ 107.49	\$ 107.49
					Availability Billing-MUC/BP	6,028			5,085.6	5,085.6		

## Irrigation-MUC

0 to 18,000 gals (quarterly)	\$ 1.66	0.60	\$ 4.85	192.2%	Usage Rates	TG	Factor	1.00	Factored Bills	12,038.0	Proposed Rate	\$ 4.41
18,001 to 60,000 gals	\$ 1.66	0.60	\$ 5.73	245.2%	Residential-DIUC	12,038.0	1.00	1.00	6,916.0	6,916.0	\$ 4.41	\$ 4.41
Over 60,000 gals	\$ 1.66	0.60	\$ 6.61	298.2%	Residential-MUC/BP	6,916.0	1.00	1.00	4,545.0	4,545.0	\$ 4.41	\$ 4.41
					Commercial-DIUC	4,245.0	1.00	1.00	4,245.0	4,245.0	\$ 4.41	\$ 4.41
					Commercial-MUC/BP	-	1.00	1.00	0.0	0.0		
					Multi-Family-MUC/BP	-	1.00	1.00	0.0	0.0		
					0 to 18,000 gals (quarterly)	10,304.0	1.10	1.10	11,334.4	11,334.4	\$ 4.85	\$ 4.85
					18,001 to 60,000 gals	12,533.0	1.30	1.30	16,292.9	16,292.9	\$ 5.73	\$ 5.73
					Over 60,000 gals	13,835.0	1.50	1.50	20,752.5	20,752.5	\$ 6.61	\$ 6.61
						64,416.0			76,123.8	76,123.8		
									\$ 335,569.30	\$ 335,569.30		
									\$ 4.41	\$ 4.41		

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Sewer Rate Base Calculation**

	<u>12/31/2014</u>	<u>Test Year Additions</u>	<u>Adjusted Test Year</u>	<u>Pro Forma Adjustment</u>	<u>Pro Forma 12/31/2015</u>
Plant in Service	\$4,065,347	\$12,224	\$4,077,571	\$111,733	\$4,189,304
Accumulated Depreciation	(407,074)	2,386	(404,688)	56,230	(348,458)
CWIP	225,342	0	225,342	(225,342)	0
Contributions in Aid of Construction	(201,795)	0	(201,795)	(11,750)	(213,545)
Accum. Amortization of CIAC	17,689	(765)	16,924	1,665	18,589
Net Plant	3,699,510	13,844	3,713,354	(67,464)	3,645,890
Working Capital (1/5th O&M)	75,842	18,078	93,920	1,589	77,431
Unamortized Balances	0	0	0	83,650	83,650
Rate Base	<u>\$3,775,352</u>	<u>\$31,922</u>	<u>\$3,807,275</u>	<u>\$17,775</u>	<u>\$3,806,971</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
Adjustments to Pro Forma Sewer System Rate Base

1	Adjustments to Utility Plant in Service.			
a)	General Plant-Structures (Lagoon)	\$	225,342	
	Retire Prior Lagoon Pond		<u>(113,609)</u>	
	Adjustment			<u>\$ 111,733</u>
2	Adjust accumulated depreciation to reflect pro forma annual depreciation.			
a)	Annual Depreciation (Schedule C-3)	\$	54,993	
	Retire Prior Lagoon Pond		<u>\$ (113,609)</u>	
	Adjustment			<u>\$ (58,616)</u>
3	Reclass Construction Work in Progress to Plant in Service.			
	Adjustment			<u>\$ (225,342)</u>
4	Adjust CIAC for Tap Fees related to pro forma customer growth.			
	Adjustment			<u>\$ (11,750)</u>
5	Adjust accumulated amortization of CIAC to reflect pro forma annual amortization.			
a)	Annual Amortization (Schedule C-3)	\$	<u>(1,665)</u>	
	Adjustment			<u>\$ 1,665</u>
e)	Adjust working capital allowance for changes to O&M expenses.			
	Expense Adjustment	\$	7,945	
	Working Capital Allowance (Qtrly Billing)		<u>20%</u>	
	Adjustment			<u>\$ 1,589</u>
f)	Adjustment to reflect the average unamortized balance of rate case expense and deferred property taxes.			
	Rate Case Costs	\$	95,600	
	Amortization Period (yrs)		<u>4</u>	
	Average Unamortized Balance		83,650	
	Adjustment			<u>\$ 83,650</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Sewer Utility Plant in Service**

	UPIS Acct	<u>12/31/2014</u>	<u>Additions</u>	<u>Adjusted Test Year</u>	<u>Pro Forma Adjustment</u>	<u>Pro Forma 12/31/2015</u>
Organizational Costs	351	\$ 73,597		\$ 73,597	\$ -	\$ 73,597
Land	353	63,710		63,710	-	63,710
Collection Mains	361	2,118,279		2,118,279	-	2,118,279
Flow Measuring Device	367		1,956	1,956		1,956
WW Pumping Plant	371	158,189	2,549	160,738	-	160,738
WW Treatment & Disposal Plant	380	259,462	4,411	263,873	(113,609)	150,264
T&D-Aeration Motors	380A	31,832		31,832	-	31,832
Plant Sewers	381	818,187		818,187		818,187
Outfall Sewer Lines	382	66,704		66,704	-	66,704
Power Generation Equip	355	4,632	3,308	7,940		7,940
Other Intangible Plant	398	204		204	-	204
General Plant-Structures	354	437,859		437,859	225,342	663,201
Office Equipment	390	14,117		14,117	-	14,117
Transportation Equipmt	391	5,103		5,103	-	5,103
General Plant-Tools & Equip	393	13,472		13,472	-	13,472
		<u>\$ 4,065,347</u>	<u>\$ 12,224</u>	<u>\$ 4,077,571</u>	<u>\$ 111,733</u>	<u>\$ 4,189,304</u>
Total Sewer Plant		<u>\$ 4,065,347</u>	<u>\$ 12,224</u>	<u>\$ 4,077,571</u>	<u>\$ 111,733</u>	<u>\$ 4,189,304</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Sewer Accumulated Depreciation**

	<u>UPIS</u> <u>Acct</u>	<u>12/31/2014</u>	<u>Additions</u>	<u>Adjusted</u> <u>Test Year</u>	<u>Pro Forma</u> <u>Adjustment</u>	<u>Pro Forma</u> <u>12/31/2015</u>
Collection Mains	361	\$ 251,560		\$ 251,560	\$ 16,513	\$ 268,073
Flow Measuring Device	367			-	46	46
WW Pumping Plant	371	7,029		7,029	2,426	9,455
WW Treatment & Disposal Plant	380	21,103	(2,386)	18,717	(109,899)	(91,181)
T&D-Aeration Motors	380A	2,274		2,274	4,547	6,821
Plant Sewers	381	105,306		105,306	7,210	112,516
Outfall Sewer Lines	382	8,997		8,997	473	9,470
Power Generation Equip	355	34		34	122	157
Other Intangible Plant	398	4		4	8	12
General Plant-Structures	354	3,835		3,835	18,071	21,906
Office Equipment	390	791		791	706	1,497
Transportation Equipmt	391	2,224		2,224	850	3,075
General Plant-Tools & Equip	393	3,918		3,918	2,694	6,612
		<u>\$407,074</u>	<u>-\$2,386</u>	<u>\$404,688</u>	<u>-\$56,230</u>	<u>\$348,458</u>
Total Sewer Plant		<u>\$407,074</u>	<u>-\$2,386</u>	<u>\$404,688</u>	<u>-\$56,230</u>	<u>\$348,458</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Sewer CIAC and Accumulated Amortization**

	<u>12/31/2014</u>	<u>Additions</u>	<u>Adjusted Test Year</u>	<u>Pro Forma Adjustment</u>	<u>Pro Forma 12/31/2015</u>
CIAC - Tap Fees	\$ 201,795	\$ -	\$ 201,795	\$ 11,750	\$ 213,545
CIAC - Other	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
Water - CIAC	<u>\$ 201,795</u>	<u>\$ -</u>	<u>\$ 201,795</u>	<u>\$ 11,750</u>	<u>\$ 213,545</u>
Accum. Amortization - Tap Fees	\$ 17,689	\$ -	\$ 16,924	\$ 1,665	\$ 18,589
Accum. Amortization - Other	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
Water - CIAC Amortization	<u>\$ 17,689</u>	<u>\$ -</u>	<u>\$ 16,924</u>	<u>\$ 1,665</u>	<u>\$ 18,589</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Sewer Operating Statement**

	Year-End 12/31/2014	Ref.	Adjustments	12/31/2015		
				Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
Operating Revenue:						
Residential	\$168,168	E.1	\$12,646 (1a)	\$180,814	\$209,894 (1b)	\$390,708
Commercial	78,577	E.1	(3,001) (1c)	75,576	80,448 (1d)	156,024
Irrigation	0		0	0	0	0
Availability Billing	276,661	E.1	(4,490) (1e)	272,171	290,749 (1f)	562,920
Misc. Other Revenue	9,749	E.1	33 (1g)	9,783	10,755 (1h)	20,538
Interdepartmental Sales	0		0	0	0	0
Billing Adj (Remove Tap Fees)	0		0	0	0	0
Total Revenues	533,155		5,188	538,343	591,847	1,130,190
Operating Expense:						
Wages	78,301	C.2	4,074 (2)	82,376		82,376
Benefits	4,490	C.2	853 (3)	5,343		5,343
Officer & Director's Fees	8,250	C.2	0 (4)	8,250		8,250
Sludge Disposal	0	C.2		0		0
Power	57,856	C.2	25,767 (5)	83,623		83,623
Chemicals	4,510	C.2	260 (6)	4,770		4,770
Supplies & Maintenance	13,288	C.2	711 (7)	13,999		13,999
Outside Services-Mgmt	78,825	C.2	6,857 (8)	85,682		85,682
Outside Services-Engineering	9,712	C.2	(4,269) (9)	5,443		5,443
Outside Services-Accounting	1,381			1,381		1,381
Outside Services-Legal	11,589	C.2		11,589		11,589
Outside Services-Testing	10,711	C.2		10,711		10,711
Outside Services-Other	7,596	C.2		7,596		7,596
Other Operating Expenses	0	C.2		0		0
Transportation	1,225	C.2	153 (10)	1,378		1,378
Bad Debt	52,834	C.2	(44,747) (11)	8,086	8,887 (20)	16,973
Insurance	12,008	C.2	12,153 (12)	24,161		24,161
Regulatory Commission Expense	4,884	C.2	(2,754) (13)	2,130		2,130
Other A&G Expenses	21,753	C.2		21,753		21,753
Total O&M Expense	379,211		(942)	378,270	8,887	387,157
Depreciation	36,151	C.2	17,177 (14)	53,328		53,328
Amortization	46,210	C.2	56,828 (15)	103,038		103,038
Revenue Taxes	2,996	C.2	404 (16)	3,400	3,737 (21)	7,137
Property Taxes	2,105	C.2	98,230 (17)	100,334		100,334
Payroll Taxes	6,591	C.2	274 (18)	6,866		6,866
State and Federal Income Taxes	0	C.2	0 (19)	0	139,962 (22)	139,962
Total Operating Expenses	473,265		171,971	645,236		797,822
Net Operating Income	\$59,890			(\$106,893)		\$332,368
Rate Base	\$3,775,352			\$3,806,971		\$3,806,971
Rate of Return	1.59%			-2.81%		8.73%
					Revenue Increase	109.9%

**Daufuskie Island Utility Company, Inc.**  
**Adjustments to Operating Statement (Sewer)**

Adjustment (1)

a) Adjust residential revenue to reflect the pro forma number of customers at present rates.				
	Residential Revenue Per Schedule E.1		180,814	
	Less: Residential Revenue Per Books (Test Year)		<u>170,724</u>	
				<u>10,090</u>
b) Adjust residential revenue to reflect the pro forma number of customers at proposed rates.				
	Residential Revenue Per Schedule E.2		390,708	
	Less: Residential Revenue Per Schedule E.1		<u>180,814</u>	
				<u>209,894</u>
c) Adjust commercial revenue to reflect the pro forma number of customers at present rates.				
	Commercial Revenue Per Schedule E.1		75,576	
	Less: Commercial Revenue Per Books (Test Year)		<u>74,396</u>	
				<u>1,180</u>
d) Adjust commercial revenue to reflect the pro forma number of customers at proposed rates.				
	Commercial Revenue Per Schedule E.2		156,024	
	Less: Commercial Revenue Per Schedule E.1		<u>75,576</u>	
				<u>80,448</u>
e) Adjust availability revenue to reflect the pro forma number of customers at present rates.				
	Availability Revenue Per Schedule E.1		272,171	
	Less: Availability Revenue - Test Year		<u>281,635</u>	
	Adjustment			<u>(9,464)</u>
f) Adjust availability revenue to reflect the pro forma number of customers at proposed rates.				
	Availability Revenue Per Schedule E.2		562,920	
	Less: Availability Revenue Per Schedule E.1		<u>272,171</u>	
	Adjustment			<u>290,749</u>
g) Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at present rates relative to test year total revenue.				
		Total Rev.	Misc. Rev.	
	Misc Revenue Per Schedule E.1	538,343	1.82%	9,783
	Less: Misc Revenue - Test Year	536,503	1.82%	<u>9,749</u>
	Adjustment			<u>33</u>
h) Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at proposed rates relative to pro forma total revenue at present rates.				
		Total Rev.	Misc. Rev.	
	Misc Revenue Per Schedule E.2	1,130,190	1.82%	20,538
	Less: Misc Revenue Per Schedule E.1	538,343	1.82%	<u>9,783</u>
	Adjustment			<u>10,755</u>

Adjustment (2)

Increase the previous level of wages for 4 full-time shared employees to reflect the wages of 4 full-time 1 part-time shared employee (an effort to reduce OT) including a 3% wage increase for the full-time employees.

Pro forma costs (WP 7.4)	82,376	
Less: Test period costs	<u>78,301</u>	
Adjustment		<u>4,074</u>

Adjustment (3)

Adjust employee insurance benefits to reflect current premiums.

Pro forma costs (WP 7.4)	5,343	
Less: Test period costs	<u>4,490</u>	
Adjustment		<u>853</u>

**Daufuskie Island Utility Company, Inc.**  
Adjustments to Operating Statement (Sewer)

Adjustment (4)

Adjust Directors' Fees to reflect annual Officer's fees of \$12,000 and Directors' fees of \$4,500 split between water and sewer operations.

Pro forma costs	8,250	
Less: Test period costs	8,250	
Adjustment		<u>0</u>

Adjustment (5)

Adjust pro forma bills to reflect corrected 2nd and 3rd quarter SCE&G bills and increase the level of power costs for increased system demand.

	Test Period	Factor	Pro Forma	
July-YE Power	39,527			
Annualized SCE&G Corrected Bills	79,053	1.058	83,623	
less: Test Year			57,856	
Adjustment				<u>25,767</u>

Adjustment (6)

Increase the level of chemical costs for increased system demand.

	Test Period	Factor	Pro Forma	
Test period costs	4,510	1.058	4,770	
Adjustment				<u>260</u>

Adjustment (7)

Increase the level of operating supply costs for increased number of customers.

Test period costs	13,288	
Factor for increase in customers	1,054	
	<u>13,999</u>	
Adjustment		<u>711</u>

Adjustment (8)

Adjust Outside Services-Management to reflect contractual annual increases.

Test period costs	78,825	
Factor for increase in customers	1,050	
	<u>82,785</u>	
Annual Increase	3.5%	
	<u>85,682</u>	
Adjustment		<u>6,857</u>

Adjustment (9)

Adjust Outside Services-Engineering to reflect 2010-2013 average cost to normalize expense.

	2011	2012	2013	2014	Average	
Annual Cost	2,350	6,617	3,093	9,712	5,443	
Less: Test period costs					9,712	
Adjustment						<u>(4,269)</u>

Adjustment (10)

Adjust transportation costs relative to the number of employees.

	Test Period	Factor	Pro Forma	
Transportation	1,225	1.125	1,378	
Adjustment				<u>153</u>

Adjustment (11)

Adjust bad debt expense to reflect revenue write-off percentages established in prior case applied to pro forma revenue under present rates.

Metered Sales-Bad debt at .5% of revenues	256,389	0.5%	1,282	
Availability Sales-Bad Debt at 2.5% of revenue	272,171	2.5%	<u>6,804</u>	
			8,086	
Test period costs			<u>52,834</u>	
Adjustment				<u>(44,747)</u>

Adjustment (12)

Adjustment to record general liability insurance to reflect recent premiums.

	Vehicle	Op Bond	General	Flood	Sewer Syst.	
Pro Forma Expense	2,576	10,500	28,531	6,715	24,161	
Test Period Expense					<u>12,008</u>	
Adjustment						<u>12,153</u>

**Daufuskie Island Utility Company, Inc.**  
Adjustments to Operating Statement (Sewer)

Adjustment (13)

Adjust Regulatory Expenses to reflect most recent DHEC land application permits.

	Golf Course	WWTP		
Pro Forma Expense	800	1,330	2,130	
Test Period Expense			4,884	
Adjustment				<u>(2,754)</u>

Adjustment (14)

Adjustment to reflect the annual depreciation for pro forma plant in service.

Pro Forma Depreciation Expense		53,328	
Test period Depreciation Expense		36,151	
Adjustment			<u>17,177</u>

Adjustment (15)

Adjustment to reflect the amortization of rate case expense and deferred Property Taxes.

	Cost	Years	Annual	
Total rate case cost	95,600	4	23,900	
Property Taxes	263,422	8	32,928	
Annual amortization				<u>56,828</u>

Adjustment (16)

Adjustment to reflect the revenue taxes on pro forma revenue under present rates.

Revenue		538,343	
Revenue Tax Rate		0.63150%	
		3,400	
Less: Test Year Revenue Tax		2,996	
Adjustment			<u>404</u>

Adjustment (17)

Adjustment property Taxes to reflect actual tax bills and rates for updated market values of Land, Building &amp; Contents.

	Market Value	Assessed Value	Effective Tax Rate	Property Tax Amt	
Pro Forma Property Taxes	3,840,846	403,289	0.24879	100,334	
Less: Test Year Property Taxes				2,105	
Adjustment					<u>98,230</u>

Adjustment (18)

Increase the level of payroll taxes to reflect pro forma wages.

Pro forma costs (WP 7.4)		6,866	
Test period costs		6,591	
Adjustment			<u>274</u>

Adjustment (19)

Adjustment to reflect State and Federal Income Taxes.

Revenue	538,343			
O&M Expense	(378,270)			
Depreciation	(53,328)			
Amortization	(103,038)			
Taxes - Other	(110,600)			
Interest Expense	(97,078)			
State Taxable Income	(203,970)			
State Income Tax Rate		5.000%		
SIT				0
Federal Taxable Income	(203,970)			
Federal Income Tax Rate		30.788%		
FIT				0
Pro Forma Income Tax				0
Test Period Income Tax				0
Adjustment				<u>0</u>

**Daufuskie Island Utility Company, Inc.**  
Adjustments to Operating Statement (Sewer)

Adjustment (20)

Adjust bad debt expense to reflect rate increase.

Pro forma Bad Debt at Present Rates

8,086

Rate Increase Percentage

109.9%

Adjustment

8,887Adjustment (21)

Adjustment to reflect the revenue taxes on pro forma revenue under proposed rates.

Revenue Requirement

1,130,171

Revenue Tax Rate

0.63150%

Revenue Tax at Proposed Rates

7,137

Revenue Tax at Present Rates

3,400

Adjustment

3,737Adjustment (22)

Adjustment to reflect State and Federal Income Taxes.

Revenue

1,130,171

O&amp;M Expense

(387,157)

Depreciation

(53,328)

Amortization

(103,038)

Taxes - Other

(114,337)

Interest Expense

(97,078)

State Taxable Income

375,233

State Income Tax Rate

5.000%

SIT

18,762

Federal Taxable Income

356,471

Federal Income Tax Rate

34.000%

FIT

121,200

Pro Forma Income Tax-Proposed Rates

139,962

Pro Forma Income Tax-Present Rates

0

Adjustment

139,962

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
**Operating Expenses - Sewer**

	Acct	12 Months Ended 12/31/13 Expense	12 Months Ended 12/31/14 Expense	Adjusted Rate Year Expense
Wages	701	49,297	78,301	82,376
Benefits	703	5,495	4,490	5,343
Officer & Director's Fees	704	2,250	8,250	8,250
Sludge Disposal		0	0	0
Power	715	36,833	57,856	83,623
Chemicals	718	5,936	4,510	4,770
Supplies & Maintenance	720	8,185	13,288	13,999
Outside Services-Mgmt	734	76,157	78,825	85,682
Outside Services-Engineering	731	3,093	9,712	5,443
Outside Services-Accounting	732	1,999	1,381	1,381
Outside Services-Legal	733	5,819	11,589	11,589
Outside Services-Testing	735	16,949	10,711	10,711
Outside Services-Other	736	11,426	7,596	7,596
Other Operating Expenses		0	0	0
Transportation	750	2,714	1,225	1,378
Bad Debt	770	69,756	52,834	8,086
Insurance	757	18,952	12,008	24,161
Regulatory Commission Expense	767	12,572	7,818	2,130
a) Reclass to Revenue Tax	767	(1,889)	(2,934)	
Other A&G Expenses	775	11,339	21,753	21,753
Total O&M Expense		336,882	379,211	378,270
Depreciation	403	28,770	36,151	53,328
Amortization	407	46,210	46,210	103,038
Revenue Taxes	408	63	63	3,400
a) Reclass from Reg. Comm. Exp.	408	1,889	2,934	
Property Taxes	408	3,985	2,105	100,334
Payroll Taxes	408	7,345	6,591	6,866
State and Federal Income Taxes	409	0	0	0
Total Operating Expenses		425,143	473,265	645,236

**Daufuskie Island Utility Company, Inc.  
Water and Wastewater Systems**

**Depreciation Expense - Sewer**

	<u>Pro Forma UPIS Balance</u>	<u>Depreciation Rate</u>	<u>Pro Forma Utilization</u>	<u>Pro Forma Depreciation Expense</u>
Collection Mains	\$ 2,118,279	2.198%	35.47%	\$ 16,513
Flow Measuring Device	1,956	6.667%	35.47%	46
WW Pumping Plant	160,738	4.255%	35.47%	2,426
WW Treatment & Disposal Plant	150,264	2.484%	35.47%	1,324
T&D-Aeration Motors	31,832	14.286%	100.00%	4,547
Plant Sewers	818,187	2.484%	35.47%	7,210
Outfall Sewer Lines	66,704	2.000%	35.47%	473
Power Generation Equip	7,940	4.348%	35.47%	122
Other Intangible Plant	204	4.000%	100.00%	8
General Plant-Structures	663,201	2.725%	100.00%	18,071
Office Equipment	14,117	5.000%	100.00%	706
Transportation Equipmt	5,103	16.667%	100.00%	850
General Plant-Tools & Equip	13,472	20.000%	100.00%	2,694
CIAC - Tap Fees	(213,545)	2.198%	35.47%	(1,665)
CIAC - Other	-	2.000%	35.47%	-
	<u>3,838,452</u>			<u>53,328</u>
Depreciation Expense				\$ 54,993
Amortization of CIAC				(1,665)
Net Depreciation				<u>\$ 53,328</u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**  
**Sewer Capital Structure and Rate of Return**

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
L-T Debt	\$1,567,330	41.2%	6.20%	2.55%
S-T Debt	0	0.0%	2.42%	0.00%
Equity	<u>2,239,641</u>	<u>58.8%</u>	10.50%	<u>6.18%</u>
	<u><u>\$3,806,971</u></u>	<u><u>100.0%</u></u>		<u><u>8.73%</u></u>

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Sewer Billing Analysis at Present Rates**  
**12/31/2014**

	<u>Quarterly Bills</u>	<u>Annual Usage (tg)</u>	<u>Billed Usage (tg)</u>	<u>Quarterly Base Chg</u>	<u>Usage Charge</u>	<u>Base Chg Revenue</u>	<u>Usage Revenue</u>	<u>Total Revenue</u>
Residential-DIUC	1,044.0			\$110.38		\$115,237		\$115,237
Total gals		11,552.907	11,553.000		\$1.32		\$15,250	\$15,250
Residential-MUC/BP	443.0			\$80.72		\$35,759		\$35,759
Total gals		<u>6,222.398</u>	<u>2,296.390</u>		\$1.95		\$4,478	\$4,478
	<u>1,487.0</u>	<u>17,775.305</u>	<u>13,849.390</u>			<u>\$150,996</u>	<u>\$19,728</u>	<u>\$170,724</u>
Commercial-DIUC	102.0			\$178.21		\$18,177		\$18,177
Total gals		4,495.220	4,495.000		\$1.32		\$5,933	\$5,933
Commercial-MUC/BP	166.0			\$136.60		\$22,676		\$22,676
Total gals		3,996.052	2,389.990		\$1.95		\$4,660	\$4,660
Multi-Unit-MUC/BP	168.0			\$136.60		\$22,949		\$22,949
Total gals					\$1.95		\$0	\$0
	<u>436.0</u>	<u>8,491.272</u>	<u>6,884.990</u>			<u>\$63,802</u>	<u>\$10,594</u>	<u>\$74,396</u>
Total Sewer Revenues	1,923.0	26,266.577	20,734.379			\$214,798	\$30,322	\$245,119
						87.6%	12.4%	
Availability Billing-DIUC	2,063.0			\$55.19				\$113,857
Availability Billing-MUC/BP	<u>1,972.0</u>			\$85.08				<u>\$167,778</u>
	4,035.0							\$281,635
Misc. Revenue (Late Chgs)							1.82%	\$9,749
Interdepartmental Revenue								\$0
Total Sewer Operating Revenue								<u><u>\$536,503</u></u>
Revenue Per Books								<u><u>\$533,155</u></u>
Difference								\$3,349

**Daufuskie Island Utility Company, Inc.**  
**Water and Wastewater Systems**

**Sewer Billing Analysis at Present Rates**  
**Pro Forma Year-End 12/31/2015**

[illegible]

[illegible]

**Daufuskie Island Utility Company, Inc.****Revenue Requirement**

		<u>Sewer</u>
Equity Return		\$235,271
Gross Revenue Tax	0.63150%	2,385
Effective Income Tax Rate	37.3000%	<u>139,962</u>
Equity Grossed-Up	37.6960%	377,617
O&M Expenses		387,157
Depreciation		53,328
Amortization		103,038
Property Taxes		100,334
Payroll Taxes		6,866
Interest Expense		<u>97,078</u>
		747,801
Gross Revenue Tax		<u>4,752</u>
		752,553
Revenue Requirement		<u><u>\$1,130,171</u></u>
Revenue @ Present Rates		538,343
Percentage Increase		109.9%

## Daufuskie Island Utility Company, Inc.

## Rate Design - Sewer System

## Metered Sales

	PRESENT Quarterly Rates	Factor	PROPOSED Quarterly Rates	Percentage Change	Pro Forma Existing Rates:				
<b>Base Service:</b>					Service Charge Revenue	\$ 224,870.62	41.77%	92.33%	Base
Residential-DIUC	\$ 110.38	1.00	\$ 218.18	97.7%	Metered Usage Revenue	31,518.81	5.85%	5.85%	Usage
Residential-MUC/BP	\$ 80.72	0.73	\$ 218.18	170.3%	Irrigation Revenue	-	0.00%		
Commercial-DIUC	\$ 178.21	1.61	\$ 305.45	71.4%	Availability Revenue	272,170.80	50.56%		
Commercial-MUC/BP	\$ 136.60	1.24	\$ 305.45	123.6%	Subtotal	\$ 528,560.23		1.82%	
Multi-Family-MUC/BP	\$ 136.60	1.24	\$ 305.45	123.6%	Late Charge Revenue	9,782.88		100.00%	
Availability Billing-DIUC	\$ 55.19	0.50	\$ 140.73	155.0%	Total Revenue	\$ 538,343.11			
Availability Billing-MUC/BP	\$ 85.08	0.77	\$ 140.73	65.4%					
					<b>Pro Forma Revenue Requirement:</b>				
					Service Charge Revenue	\$ 472,082.10		(Sch E.2 Results)	% Increase
					Metered Usage Revenue	66,169.01		\$ 480,606.02	113.7%
					Irrigation Revenue	-		66,125.92	109.8%
					Availability Revenue	571,381.73		562,920.00	106.8%
					Subtotal	\$ 1,109,632.84		\$ 1,109,651.94	
					Late Charge Revenue	20,537.69		20,538.04	109.9%
					Total Revenue	\$ 1,130,170.53		\$ 1,130,189.98	109.9%

## Usage:

	PRESENT Quarterly Rates	Factor	PROPOSED Quarterly Rates	Percentage Change	Pro Forma Existing Rates:				
<b>Usage:</b>					Service Charge Revenue	\$ 472,082.10		(Sch E.2 Results)	% Increase
Residential-DIUC	\$ 1.32	1.00	\$ 2.38	80.3%	Metered Usage Revenue	66,169.01		\$ 480,606.02	113.7%
Residential-MUC/BP	\$ 1.95	1.48	\$ 2.38	22.1%	Irrigation Revenue	-		66,125.92	109.8%
Commercial-DIUC	\$ 1.32	1.00	\$ 2.38	80.3%	Availability Revenue	571,381.73		562,920.00	106.8%
Commercial-MUC/BP	\$ 1.95	1.48	\$ 2.38	22.1%	Subtotal	\$ 1,109,632.84		\$ 1,109,651.94	
Multi-Family-MUC/BP	\$ 1.95	1.48	\$ 2.38	22.1%	Late Charge Revenue	20,537.69		20,538.04	109.9%
					Total Revenue	\$ 1,130,170.53		\$ 1,130,189.98	109.9%

## Service Charge Rates

	Quarterly Bills	Factor	Factored Bills	Proposed Rate
Residential-DIUC	1,092	1.00	1,092.0	\$ 218.18
Residential-MUC/BP	492	1.00	492.0	\$ 218.18
Commercial-DIUC	102	1.40	142.8	\$ 305.45
Commercial-MUC/BP	164	1.40	229.6	\$ 305.45
Multi-Family-MUC/BP	176	1.40	246.4	\$ 305.45
Availability Billing-DIUC	2,280	0.645	1,470.6	\$ 140.73
Availability Billing-MUC/BP	1,720	0.645	1,109.4	\$ 140.73
	6,026		4,782.8	
			\$ 1,043,463.83	
			\$ 218.18	

## Usage Rates

	TG	Factor	Factored Bills	Proposed Rate
Residential-DIUC	12,038.0	1.00	12,038.0	\$ 2.38
Residential-MUC/BP	6,916.0	1.00	6,916.0	\$ 2.38
Commercial-DIUC	4,585.0	1.00	4,585.0	\$ 2.38
Commercial-MUC/BP	4,245.0	1.00	4,245.0	\$ 2.38
Multi-Family-MUC/BP	-	1.00	0.0	\$ 2.38
0 to 18,000 gals (quarterly)	-		0.0	
18,001 to 60,000 gals	-		0.0	
Over 60,000 gals	-		0.0	
	27,784.0		27,784.0	
			\$ 66,169.01	
			\$ 2.38	

# WATER DISTRIBUTION MAP

FOR  
DAUFUSKIE ISLAND

DAUFUSKIE ISLAND, SOUTH CAROLINA

PREPARED FOR  
HAIG POINT UTILITY COMPANY INC. &  
INTERNATIONAL PAPER REALTY CORPORATION  
HILTON HEAD ISLAND, SOUTH CAROLINA

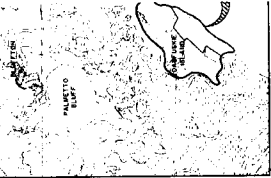
PREPARED BY



50 PARK OF COMMERCE WAY  
SAVANNAH, GA 31402-2727 (912) 234-5300  
CHARLESTON, SC - MYRTLE BEACH, SC

JULY 2001

1/1997



COOPER  
RIVER

MELROSE LANDING

WEBB TRACT

EIGELBERGER

MUNGEN  
CREEK

BLOODY POINT

ATLANTIC  
OCEAN

GRAPHIC SCALE  
1" = 1/4" M.P.

MELROSE

HAIG POINT

LEGEND  
7" WATER MAIN  
6" WATER MAIN  
5" WATER MAIN  
4" WATER MAIN  
3" WATER MAIN  
2" WATER MAIN  
1" WATER MAIN  
POTABLE WELL  
FRESH WATER  
SEA WATER  
SEWER  
SEWER TREATMENT  
VALVE  
MELROSE UTILITY CO.  
SERVES AREA

THIS MAP IS A PRELIMINARY DESIGN AND IS NOT TO BE USED FOR CONSTRUCTION PURPOSES. IT IS THE RESPONSIBILITY OF THE USER TO VERIFY THE ACCURACY OF THE INFORMATION PROVIDED HEREON.

# SEWER COLLECTION SYSTEM MAP FOR

**DAUFUSKIE ISLAND**  
DAUFUSKIE ISLAND, SOUTH CAROLINA

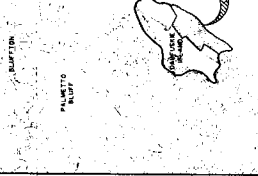
PREPARED FOR  
**HAIG POINT UTILITY COMPANY INC. &  
INTERNATIONAL PAPER REALTY CORPORATION**  
HILTON HEAD ISLAND, SOUTH CAROLINA

PREPARED BY



50 PARK OF COMMERCE WAY  
POST OFFICE BOX 2727  
SAVANNAH, GA 31402-2727 (912) 334-5300  
CHARLESTON, SC 29405 BEACH, SC

DATE



**COOPER  
RIVER**

**MELROSE LANDING**

**WEBB TRACT**

**CEDAR COVE**

**OAKRIDGE**

**ATLANTIC  
OCEAN**

**ROSELBERGER**

**MUNSON  
CREEK**

**BLOODY POINT**

**FUTURE SEWER ALIGNMENT  
SHOWING TYPICAL**

- LEGEND**
- GRAVITY SEWER
  - 18" DIAMETER MAIN
  - 12" DIAMETER MAIN
  - 8" DIAMETER MAIN
  - 6" DIAMETER MAIN
  - 4" DIAMETER MAIN
  - 3" DIAMETER MAIN
  - 2" DIAMETER MAIN
  - 1" DIAMETER MAIN
  - 1/2" DIAMETER MAIN
  - 1/4" DIAMETER MAIN
  - 1/8" DIAMETER MAIN
  - 1/16" DIAMETER MAIN
  - 1/32" DIAMETER MAIN
  - 1/64" DIAMETER MAIN
  - 1/128" DIAMETER MAIN
  - 1/256" DIAMETER MAIN
  - 1/512" DIAMETER MAIN
  - 1/1024" DIAMETER MAIN
  - 1/2048" DIAMETER MAIN
  - 1/4096" DIAMETER MAIN
  - 1/8192" DIAMETER MAIN
  - 1/16384" DIAMETER MAIN
  - 1/32768" DIAMETER MAIN
  - 1/65536" DIAMETER MAIN
  - 1/131072" DIAMETER MAIN
  - 1/262144" DIAMETER MAIN
  - 1/524288" DIAMETER MAIN
  - 1/1048576" DIAMETER MAIN
  - 1/2097152" DIAMETER MAIN
  - 1/4194304" DIAMETER MAIN
  - 1/8388608" DIAMETER MAIN
  - 1/16777216" DIAMETER MAIN
  - 1/33554432" DIAMETER MAIN
  - 1/67108864" DIAMETER MAIN
  - 1/134217728" DIAMETER MAIN
  - 1/268435456" DIAMETER MAIN
  - 1/536870912" DIAMETER MAIN
  - 1/1073741824" DIAMETER MAIN
  - 1/2147483648" DIAMETER MAIN
  - 1/4294967296" DIAMETER MAIN
  - 1/8589934592" DIAMETER MAIN
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  - 1/4835703278458516698824704" DIAMETER MAIN
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